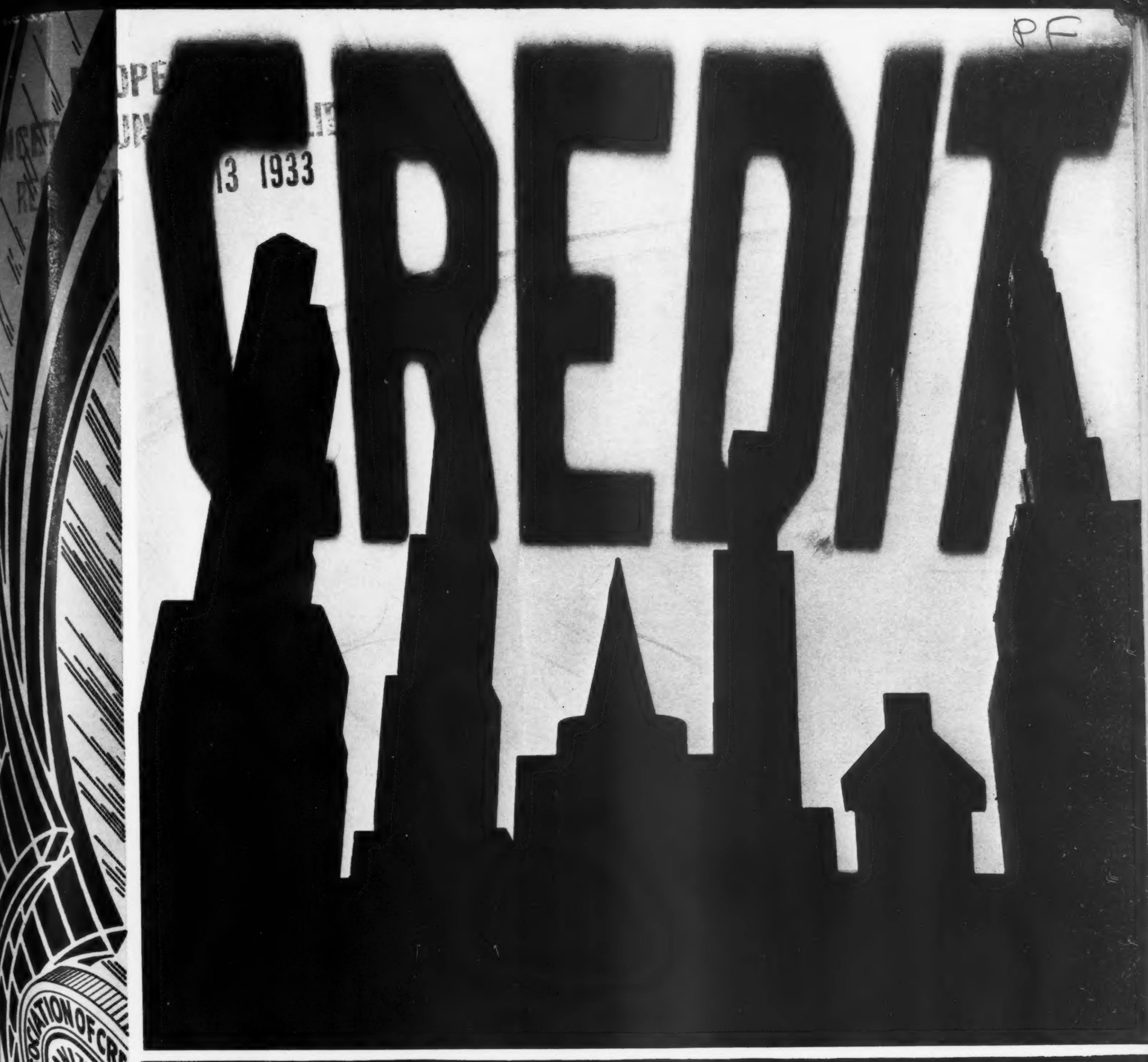

CREDIT and FINANCIAL MANAGEMENT

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CONTENTS FOR JULY, 1933

Looking ahead

Featured in our August issue will be an outstanding article on the importance of sound credit and the splendid manner in which credit has come through the depression years. The feature comes from the pen of no less an authority than the new Secretary of Commerce, Daniel C. Roper, and is entitled "Credit Tested by Crisis". The quarterly Latin-American credit survey is also scheduled for August.

Our cover

Behind the social and economic superstructure of our modern civilization is credit, a force of unparalleled magnitude in world history. This situation is visualized in the camera study by Paul Haase from the Old Masters' Studio, New York.

CREDIT and FINANCIAL MANAGEMENT

CHESTER H. McCALL
Editor and Publisher

Volume XXXV Number 7

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Getting posted

About two months ago *The Saturday Evening Post* carried an editorial entitled "Business Cannot Be Cash-and-Carry." This well-written editorial presented many principles and ideas with which anyone in the credit fraternity will readily agree. However, there are two or three statements set forth in this editorial that demand a challenge and an answer. The editorial states:

> "The mature credit granter thinks of statements only as records which custom requires him to have in his files, and he governs his own actions in any case by his estimate of the debtor's personal responsibility and capacity. Such men are logical and have very few losses. It is the snappy, up-to-date boys with everything reduced to a system that cause the losses. They are illogical. They do not seem to learn that, if a debtor has not the money with which to pay, harassing him with lawsuits will do nothing toward providing him with the money."

The modern credit executive knows that personal responsibility and capacity to pay, as revealed in interchange records of a man's paying habits, is the acid test of credit worth. It is my contention, however, that the statement—"It is the snappy, up-to-date boys with everything reduced to a system that cause the losses"—is an inferential deduction which, without factual substantiation, casts a derogatory shadow upon systematized credit. The credit losses of this nation, exceeding far over a billion dollars, conclusively prove that "more system" is needed. In those industries where all creditors co-operate in administering credit functions through a centralized system, we find negligible bad debt losses, with debtors receiving equitable consideration at all times.

Furthermore this editorial states:

> "Creditors pressing madly for their debts are really public menaces. They cannot get the money they are after. It is not there to get. But by depressing prices, they injure everyone's credit and kill business. The pressure to collect debts forces business down in a descending spiral, and the ramifications go in every direction."

In this sentence the *Post* has struck a popular chord that will have its appeal for hundreds and thousands of debtors throughout the country. I have before me as I write a specific case in which a debtor declined to pay his bill and used this *Post* editorial as a justification for not paying. An investigation on the part of several creditors showed that this business man was able to meet the obligation which he was trying to avoid. He had found an excuse and he used it.

There are two sides to every case and one or the other side is either lop-sided or is presented without a fair presentation of all facts involved. In this editorial the *Post* has taken the debtor's viewpoint entirely and disregarded the creditor's position.

When "creditors press madly for their debts" it is almost invariably a case of numerous creditors trying to collect their debts individually. When all creditors' claims are concentrated in a co-operative organization representing the creditors, the debtor in every case gets a thorough and a fair hearing before the Credit Court. In making such a statement, the *Post* should have pointed out this fact. In one instance systematized credit is criticized and a few sentences later "creditors pressing madly for their debts" is set forth as an obnoxious menace.

Anyone who has taken the time to give any real study to sound credit management knows that a systematized and organized credit system gives the debtor full consideration. During the recent banking holiday and during many previous sectional droughts and natural catastrophes, organized groups of creditors, functioning through the National Association of Credit Men, voluntarily extended liberal moratoria to distressed debtors.

In presenting an editorial of this kind to its great reading public of millions of people, the *Post* should not have emphasized so strongly its case against creditors without giving the other side of the picture and the full facts involved. This editorial fails to mention that hundreds and even thousands of debtor merchants, through unsound business practices and inexcusable mismanagement, incur heavy obligations which they will never be able to pay. To continue selling goods to such merchants will only force them deeper into debt and lead to an eventual obsolescence and dissipation of assets which will not bring creditors ten cents on the dollar. If the creditor sold many customers who were in this condition he would soon be forced into bankruptcy himself. Every practical business man knows that whenever a group of creditors get together and find that a distressed or deserving debtor can be saved, that his past obligations will be extended over a period of two or more years until his rehabilitated company makes enough money to meet the obligations ethically incurred. Yet the *Post* does not even mention this fact.

Delinquent debtors who have through mismanagement built up a super-structure of debt are the real menaces to sound business progress. The creditor must pay his employees and purchase his commodities or raw materials just as the debtor must pay his employees and purchase the goods that will enable him to continue business. Credit is probably the most abused privilege in modern business transactions. Whenever a debtor presents his case fairly and squarely to creditors he always gets a fair and a square deal. It is the thousands of debtors who hide behind every subterfuge they can find who cause the real trouble. A straightforward debtor can always get a lenient and liberal extension of maturity dates on his obligations. Contrary to the *Post's* contention, it is systematized and organized credit that is needed today. Neatly-turned editorial jibes such as "the snappy up-to-date boys" are rhetorical clouds that obscure the real issue. *The Saturday Evening Post* owes to its reading public a fair and complete presentation of facts in this particular case. In this instance the *Post* was either not "posted" or preferred to present part of the facts to make its point.

Chester H. McCall

The business

a compilation of business and

Straws in the wind

Blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

BANK CREDIT: The daily average volume of Federal Reserve Bank credit outstanding in the week ended June 28, as reported by the Federal Reserve banks, was $2,196,000,000, or $7,000,000 below the preceding week and $158,000,000 under a year ago. On June 28 Reserve Bank credit totaled $2,182,000,000, off $12,000,000 for the week. This drop corresponds with a rise of $89,000,000 in Treasury currency, adjusted, and a fall of $21,000,000 in money in circulation, offset in part by gains of $81,000,000 in member bank reserve balances and $17,000,000 in unexpended capital funds, non-member deposits, etc.

BUSINESS FAILURES: Business failures in the United States continue decidedly downward, so far as the number is concerned. The total for the latest week, which ended last Thursday, June 22, was 373, according to the records of Dun & Bradstreet, Inc. These figures compare with 396 and 401, respectively, in the two preceding weeks, and with 617 a year ago. Not since the middle of October in 1929, when conditions which developed into the recent depression first made their appearance, has the number of business defaults for any full week been at so low a point.

CARLOADINGS: Loading of revenue freight, for the week ended June 17, totaled 587,931 cars according to the American Railway Association. This was an increase of 23,835 cars over the preceding week and 69,533 cars above the same week in 1932 but a decrease of 151,163 cars under that week in 1931.

COAL PRODUCTION: Production continue to increase in the week ended June 17, according to estimates of the Bureau of Mines. Total bituminous output is estimated at 5,660,000 tons, a gain of 225,000 over the week before. Anthracite totaled 825,000 tons, a gain of 90,000 tons over the preceding week.

ELECTRIC POWER: Industrial power use has increased by 50 per cent from the low point of the depression in March of this year.

FOREIGN TRADE: Dollar depreciation abroad is reflected in increased opportunities for American exports to compete in foreign trade, according to reports reaching the Department of Commerce.

INDUSTRIAL PRODUCTION: Volume increased in the U. S. A. from 67 per cent in April to 76 per cent in May. The early days of June saw the rise continuing, the Federal Reserve Board reports.

PRICES: The wholesale price index of the Journal of Commerce, New York, rose 63.7 by June 24. This exceeded by 2.5 the position on June 10. The low mark of the depression was recorded in this index in February, when it touched 52.5 It has been rising definitely and continuously since the banking holiday in March.

STEEL: Operations continued to increase through May and June until the industry was back to 50 per cent of capacity by the latter part of June.

Business interests are, of course, greatly concerned over the outcome of the World Economic Conference, C. F. Hughes points out in the *N. Y. Times.* Their concern is tempered, however, by the sharp improvement in business here and by the attention which must be given to individual matters rather than to world problems.

The American program for currency stabilization, tariff reduction and reform and a joint plan to move up prices finds approval in most quarters, although the tariff section is viewed as contingent upon domestic developments. The desire to see prices advanced is universal, it goes without saying, and currency stabilization is recognized as a sine qua non of sound world recovery.

How the United States will fare in these sessions is beyond guessing, and yet in business circles quite a general impression had grown up that, unless this reasonable program is accepted, it would be just as well for the country to "go it alone" and put its dependence entirely upon the domestic market and its efforts into expanding that market along the lines of the legislation now proposed.

While this idea of tightening up on the isolation which many believe was so largely to blame for the world catastrophe has major objections, such as closing down markets for some of our principal commodities, its advocates nevertheless are convinced that it offers the only course if other countries demand only selfish advantages.

Only a few weeks ago there was not a murmur against the radical steps being taken by the administration at Washington to deal with the economic situation. Now that there has been astonishing recovery manifest on so many sides, the critics are once more finding their voices. The burden of their complaint is that, after all, since conditions have become so much better, it would be best to leave them alone and make no changes. They advise going back to the policy of laissez faire which proved

thermometer:

financial trends and indications

so tremendously costly for three years.

Attacks on the National Recovery Act run a wide gamut. The central theme is held to be "planned economy," which critics maintain is hopeless because there is no man nor group of men able to work out a plan successfully—the system to be efficient must be subject to all the checks and balances of individual initiative.

The apparent answer to this is that a rigid plan of economic control is not proposed and a straw man has been set up to knock down. Certain rules to eliminate jungle competition and to establish the market, which is every business man's desire, are merely being legislated. Sweatshop wages, hours and prices are to be forced out. Beyond these un-American conditions, there will be plenty of scope for initiative and for the checks and balances that promote efficiency.

It may be an old principle of economics that consumption grows out of production, but the new program apparently wishes to assure it. There is, after all, some suspicion at least that too much of the income from production in the past went into profits, dividends and overhead of a capital nature to the detriment of mass-consuming power.

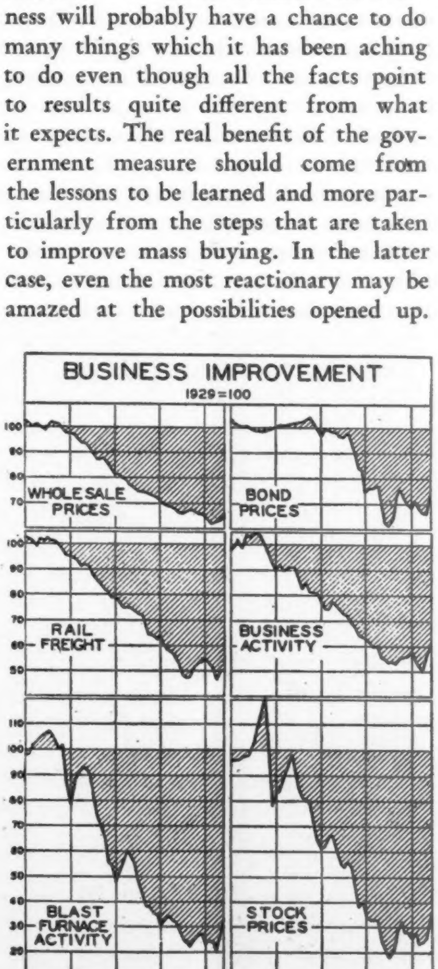
That cavilers of the new industrial program have so far made little impression upon most business representatives is to be remarked in the host of old and newly organized associations which are now busy devising codes for adoption under the Control Act. Not at all daunted by the objections raised to provisions of this legislation, the new government "partnership" with business seems welcome in almost all quarters.

It would not be correct to conclude that the motives of these organizations are unselfish. They are, as a matter of fact, quite self-centered. What they all hope for is primarily a system of uniform prices and what amounts to a guarantee of profits. That, of course, is a foolish hope to harbor, but since it is the mainspring toward realy important achievement, it has a purpose.

Higher prices are by no means the panacea they are generally imagined. They have their sole but most important advantage now in relieving the debt burden. Lower prices, if accompanied by fair wage scales, would bring much sounder progress if debts could be properly amortized and interest charges properly reduced.

Production restriction is another common objective and fundamentally it can be criticized on similar grounds. It means higher costs even as it means higher prices. Only monopoly can gain from such control.

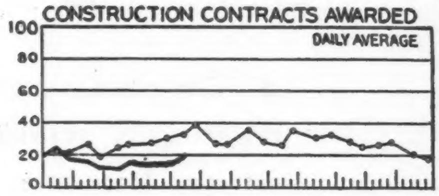
But in these aspects of the new Control Act it is well to consider that business will probably have a chance to do many things which it has been aching to do even though all the facts point to results quite different from what it expects. The real benefit of the government measure should come from the lessons to be learned and more particularly from the steps that are taken to improve mass buying. In the latter case, even the most reactionary may be amazed at the possibilities opened up.



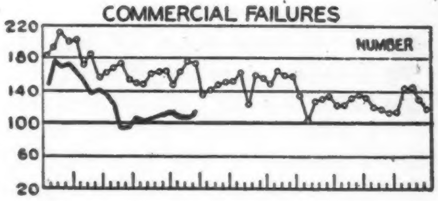
From Cleveland Trust Co. Bulletin

Commercial

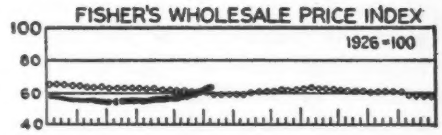
CONSTRUCTION CONTRACTS AWARDED



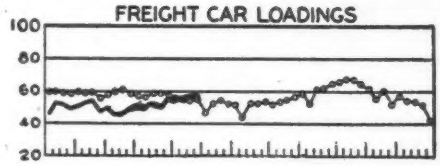
COMMERCIAL FAILURES



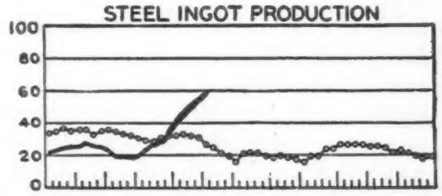
FISHER'S WHOLESALE PRICE INDEX



FREIGHT CAR LOADINGS



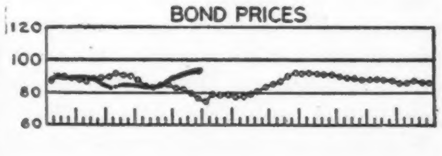
STEEL INGOT PRODUCTION



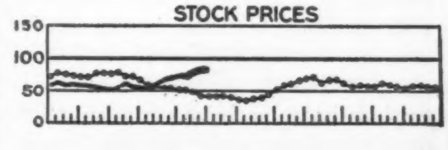
Dep't. of Commerce Charts, 1923-25 = 100

Financial

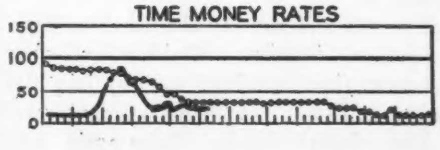
BOND PRICES



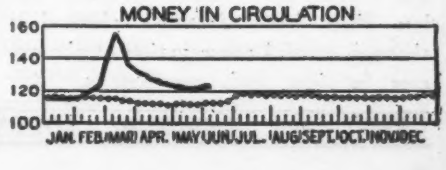
STOCK PRICES



TIME MONEY RATES



MONEY IN CIRCULATION



Circulating credit creates commerce

"Our need is morality, not moratoria; less hypodermics, more humanity; fewer trade restrictions, better trade relations; less selfishness, more service; less hate, more love—both internally and internationally."

In the lake region of northern Minnesota there arises a small, clear ribbon of water scarcely larger than a brook. Slowly this tiny stream begins coursing its way in a southerly direction, expanding in size as it flows along. Long before it joins the Gulf of Mexico that small ribbon of water has grown in volume to be one of the largest rivers geography records. Thousands of smaller streams contribute to its reservoir and over forty major tributaries join it along the way. This Mississippi River and its tributaries insure fertility to over one-third of the area of the United States. There is no monetary value large enough for human comprehension to express the value of that stream, for who would be so courageous as to appraise the Mississippi Valley, with its illimitable, fertile fields and its billions of tons of rich, loamy soil. This river forms the main artery from the heart of American agriculture. It becomes the life blood of commerce and trade. The welfare of millions of people, at home and abroad, is dependent upon it.

Sometimes, in the Spring of the year, because of the heavy, torrential cloudbursts in the distant hills, the swollen streams that join this great artery of water over-tax its capacity. Unless in those instances the dykes and levees are strong and secure, the river overflows. Wide areas are inundated, crops ruined, human lives destroyed and hunger is felt, not only by those in the flooded area, but by mankind in all sections of the globe as well, for this stream's benefactions know no boundary nor limitation. Sometimes, under the hot, scorching, summer sun, the territory it serves becomes arid and the thousands of little rivulets, brooks and branches, that course their winding way to join the Great Father of Waters, evaporate. Then drouth sets in. Once again men and women suffer untold hardships unless they have fortified themselves through careful conservation of the excess for just such emergencies. But

by HENRY H. HEIMANN,
Executive Manager,
N. A. C. M.

now picture, if you will, the disaster of a sudden diversion of the normal flow of this stream from its usual bed or a damning without benefit of overflow gates. You would visualize a catastrophe paralleled only by the Biblical deluge. Disaster not alone to our own nation, but the world. For untold centuries, yes, long before the dawn of the white man, this stream has enriched the valleys it traverses uninterruptedly, insuring fertility, health and prosperity.

For untold centuries, indeed ever since barter gave way to a more flexible medium, and the law of the jungle became obsolescent, and right on down through all the recorded pages of civilization, a stream of credit has constantly coursed its way, bringing virility and progress to the human race. Rising from the lakes of confidence, this tiny credit stream has been fed by the major tributaries of character and capacity, and the countless thousands of brooks and rivulets coursing with human faith and good will. Sometimes, as the pages of history reveal, when this stream of credit has been impaired seriously or its tributaries allowed to become dry, civilization has all but perished. Again, when it has been unduly swollen by a flood tide its very excess has brought ruin and destruction to commerce and misery to humanity. But at no time has its flow been entirely checked. Even through the Dark Ages a small glimmering ribbon of credit heroically fought its way through all obstacles and barriers, surmounted dams and obstructions, forced its way through the channels and kept alive some restricted measure, at least, of commerce and trade.

Just as human life is dependent upon the uninterrupted and ceaseless flow of our natural rivers, so, too, are commerce and industry dependent upon the natural and unobstructed flow of credit. Because credit streams for a long time were free of obstructions and allowed to flow normally, our generation witnessed an advance in civilization unparalleled in history and an average standard of living that would have been the envy of a king even a century ago. So delicately synchronized is our intricate mechanism of life and our credit control that it should cause little wonderment, when the slightest sudden and unexpected maladjustment reacts everywhere, that an abuse or misuse of credit brings suffering in its wake.

No analysis of our present situation would be fair or honest unless we accept the doctrine that all progress is accompanied by a measurable amount of destruction. While in no sense assuming to accept complacently the necessity of a depression such as we are passing through, we must confess that depressions destroy wastefulness and increase efficiency, and that these corrective forces do not operate extensively in periods of prosperity. We tear down the old in the creation of the new. There is constant evolution. There is likewise a continued process of accumulation inevitably followed by redistribution. That is as certain as day follows night. One need only contemplate the impossibility of life were this not a fact. In the last analysis there is no such thing as safety for all time and under all conditions. If you would challenge this simply contemplate for a moment that a penny saved at the birth of Christ, compounded at 4% annually, would today represent a total sum, which, if it were expressed in gold, would form a sphere with a diameter equal to that of the earth's orbit around the sun.

But this admittedly inescapable destruction and re-creation can, we insist, be measurably controlled and restricted in its operations so as to bring about the changes gradually and with a minimum of suffering. Above all it must and will be regulated to prevent utter collapse by floods or drouths.

The distinguishing characteristic of the human race is its vigilance in search-

ing for better methods of control to soften the blows evolution inflicts and to make the transition period less burdensome. In this analytical research just one and only one inescapable conclusion seems universally acceptable.

When these changes are heightened by a World War, and millions of men are butchered and billions of money are squandered in sacrifice to Mars, modern civilization, with its highly synchronized workings, suffers a shock that distorts our standards of living and brings in its wake suffering and privation whose only parallels are the pestilences and plagues of ages past. Then the stream of credit, which normally is constantly aiding civilization in its forward march, is blasted from its bed and, once diverted, has difficulty in following the tortuous ways back to its age-worn channels. For in the last analysis it was credit that won the war, and to the extent that credit was prostituted for war operations, either in the conflict itself or the unreasonable preparation costs, commerce and trade inevitably had to suffer. It was as though a flood had suddenly inundated and rendered untillable the fertile fields of the entire Mid-West.

But the streams of credit, those magic streams of commerce and trade, in the post war period had many other forces to contend with; indeed, from the conclusion of the war to the present time, every known barrier, every possible obstacle, hindrance and obstruction hampered their natural flow, preventing them from following their normal channel, and denying the credit fertility so essential to the welfare of commerce. In effect, those measures created a closed navigation season on the Lakes of Commerce exactly as the wintry winds cover our Great Lakes with ice to the distress of sailor and hindrance of vessel.

Hardly had the thundering war guns ceased firing before nations vied with one another in an endeavor to defeat the economic law of supply and demand. Artificial price maintenances of commodities were attempted throughout the world. England tried it with rubber; Australia with wool; Brazil with coffee; Cuba with sugar;—and we had our Farm Board. Few seemed to realize that when we defy the law of supply and demand, we crucify commodity prices on a cross of over-production, and plunge headlong toward the abyss of uneconomic price levels. Stimulation of abnormal production, through foolhardy price maintenance measures, destroys the underlying basis of credit in commodities, because the confidence of the people in commodity price levels is shattered.

These artificial measures, like hypodermics, bring to the patient apparent improvement, but it is only temporary in character. Unfortunately, during this temporary period of resuscitation the fundamentals of credit appraisal are forgotten or disregarded An expansion of credit, through faulty appraisal, follows that soon brings us face to face with serious difficulties from which we emerge only by dint of hard labor and the sweat of our brow. In this temporary period of buoyancy, debts are incurred out of proportion to the increase of physical wealth, constituting an unwholesome and dangerous proceeding. Use of private credit knows no bounds nor little dreams of settlement day. The Government begins to use its credit to replace private credit and private capital Private credit and private capital, being driven from its field through Government credit, seeks refuge in Government credit or goes into hiding. Frenzied speculation follows; speculation not upon probable increased earnings, but speculation upon speculation, as people delude themselves into believing prices will rise without a basic reason for such rise. A towering pyramid of credit is erected. Outwardly it may assume the form of a pyramid, but closer inspection reveals it to be an empty shell; which the first strong wind of reality sends scurrying, like a tumbleweed over arid prairies.

"As humans depend on rivers for soil flexibility, so commerce depends on a natural flow of credit for business stability."

All of these attempts at commodity price stabilization silently but most effectively destroyed all basis of credit. Coupled with the war and its step-child, insane armament expenditures, they left the world's governments staggering under a burden of debt that seemed almost insurmountable. When payment day came around we had our reckoning, and the first shock was the realization that as far as international obligations were concerned, a debt moratorium would have to be declared. Unbalanced budgets everywhere, due to the foolhardy ventures in an endeavor to flank the natural economic laws, left only a trail of debt in their wake. And the effect of this moratorium, however necessary at the time, was the damming of a major tributary to the international stream of credit, thus checking its flow to the main artery It was as though the Missouri River, a constant source of supply to the Mississippi, had suddenly been diverted or impounded.

Confidence, the very basis of credit, whether national or international, government or private, was destroyed. In its place fear began to grip the people concerning international obligations. Other dams were erected and there ensued the drouth period in the international streams of credit. International commerce and trade almost ceased to exist. In this critical situation mob psychology seemed to sweep the world like a prairie fire. In a frantic endeavor to solve the problem confronting the world, each and every nation suddenly set forth on a selfish policy of nationalism. "Am I my brother's keeper?" seemed sarcastically to roll from the tongue of every statesman. Trade barriers were speedily erected, tariffs increased to exclude at any and all costs foreign goods, resulting in restrictions of all types and classifications upon the natural flow of commerce between nations. Emulating the American Indian, who complacently smoked his pipe of peace in isolationist contentment, the nations of the world attempted overnight to become self-contained and sufficient unto themselves. They tried to stand in the way of fast speeding science which, in this day of stratosphere exploration and atom smashing, is ceaselessly working to annihilate barriers of time, distance and boundaries. They did not realize that their nationalistic

policies diverted from the streams of credit the necessary flow to bring fertility to an international commercial soil in each national entity.

With quickening pace, almost in desperation, once more ensued the furious onslaught toward destruction of sound fundamentals of credit Monetary policies which heretofore had withstood the test of a century were suddenly altered. New policies were put into effect to give national advantage. The law of self-preservation—"Damn my neighbor, let him shift for himself"—seemed to be the new guiding principle. Greed was King! But the net result of these selfish, foolhardy ventures was to destroy further the confidence needed in a common medium of exchange, for unhampered and unrestricted trade and commerce between nations. The gold monetary base which had served all these years was not allowed to operate in its normal manner. Instead, its operation was not only restricted, but the gold was impounded, used for museum display, for treasure and not for trade. Then began a series of events in which each and every nation vied with its neighbors in cornering all the gold possible, hoarding it as a miser hoards his wealth, until commerce and trade, suffering from the lack of a dependable medium of exchange, found itself retrogressing into the bartering age of a semi-civilized peopel. Under the strain and stress of nationalistic policies, trade restrictions and tariffs, moratoria and monetary mazes, the cold agony of fear, jealousy and suspicion took hold. These negative world forces suddenly swept across the seas with unabated fury. Domestically open market financial operations by the Government became the order of the day in an endeavor to groove a channel for credit now almost hopelessly dammed or diverted. But the open market operations were merely an aid to some banks. Customers still found their credit channels blocked. In a short time we, in this nation, witnessed a cessation of banking that was appalling. Men and women milled past the bronze doors to withdraw their accounts. Little wonder that banking troubles were seriously upon us, that a banking holiday became a necessity. That banking situation came about through the destruction of confidence, which, let me emphasize, is the basic source of credit. In this feverish scramble for self-preservation, men and women gave little consideration to the effect of their action upon the credit of the nation. Sanity itself seemed routed, driven hard by the fast-moving forerunners of collapse. Then in swift succession we had moratoria, farmers' strikes, bankruptcies, a breakdown in general business morality and a forgetfulness of the high sense of ethics which normally sustains business. We forgot that national behavior is affected by business behavior These events further destroyed the very basis of credit. Those who resorted to these measures apparently thought little and cared less of the future generations that are to follow. If farmers' strikes become the order of the day, then may I ask where the farmers' children are to have their credit appraised in a fair and reasonable way? If law and order is to be openly flouted, then can we expect a moral sense towards obligations? If bankruptcies are to be countenanced to avoid just obligations, then how can we develop just obligations in the future? If business interests take advantage of technicalities to evade their obligations, of what avail is a theoretical upholding of ethical relations in business? If individuals, states, nations and the world deny the sanctity of a contract, then why a contract?

"Fear-savings," hoarded as an animal makes his winter cache, ensued. People did not realize that if we all saved our money in its entirety, pauperism, not prosperity, would prevail; for there is a sense of balance between saving and spending that is essential to the creation of prosperity.

I reiterate. A series of events, of which I have enumerated the major ones, kept constantly diverting, destroying, or obstructing, the flow of the streams of credit. Let me again emphasize that beginning with the World War, its aftermath of huge armament policies, defiance of the natural economic law of supply and demand through commodity stabilization, the events leading to the debt moratoria, restrictions of trade and tariff barriers, selfish nationalistic policies, the failure to permit the monetary (*Cont. on p.* 34)

Prosperity advisers

Members of the advisory and long-range economic committee who are to help the government bring back prosperity and keep it once it returns, photographed in Washington, June 26. Many of the nation's most prominent business men are on the committee. Left to right: Alfred P. Sloan, Jr., of General Motors; Gerard Swope of General Electric; Col. Edward N. Hurley of Chicago; Secretary Roper of the Commerce Department; Walter S. Gifford of Amer. Tel. & Tel.; Melvin A. Traylor, Chicago banker; E. Y. Mitchell, Assistant Secetary of Commerce; John Dickinson, Assistant Secretary of Commerce; Col. Robert G. Elbert of the Aeolian Company, H. P. Kendall, head of the Kendall Company, Boston; William E. Woodward of New York (behind Kendall); Fred I. Kent, New York banker, and Henry H. Heimann. Executive Manager, N. A. C. M., (standing behind Col. Elbert).

Questionnaire Survey by the Economic Credit Council

	Total	East	Mid-West	West	Banking	Manfctg.	Whlslg.
Do you favor inflation?	Yes-71-	25	35	11	14	23	34
	No-22-	5	10	7	6	9	7
If so do you favor it by							
Bond issue - public works	-39-	17	16	6	6	13	20
Currency expansion	-27-	9	13	5	6	7	14
Bank credit expansion	-38-	15	17	6	7	18	13
Dollar devaluation	-14-	4	8	2	2	4	8
Do you expect better business conditions because of inflationary proposals?	Yes-77-	25	39	13	17	24	36
	No- 6-	2	2	2	1	3	2
	Superficial- 35-	11	12	12	9	13	13
	Basic- 29-	10	15	4	7	11	11
Will you change credit appraisal standards if prices rise over a long - time period?	Yes-52-	18	25	9	17	15	20
	No-36-	11	18	7	2	15	19
Do you believe rising prices will increase or decrease your bad debt loss ratio?	Increase - 17-	4	8	5	4	4	9
	Decrease- 66-	21	34	11	15	23	28

The valuation cycle

Consider the risk in accounts receivable which have restated their financial positions upon the arbitrary basis of reappraisal of fixed assets or revision of capital liability.

by ERNEST I. KILCUP, President, N. A. C. M.

From the time of Adam Smith we have been taught to believe that economic laws are immutable and economic forces are irresistible, but in our analysis and study of economic concepts and theory as they apply particularly to commercial intercourse, we have learned that it is possible appreciably to delay the inevitable. It is because of this possibility that there came into being that disturber of commercial peace which we call the business cycle.

The business cycle is a complete revolution of human and material values caused by the expectancy of increasing or decreasing profits. It is not the purpose of this article further to discuss the business cycle as such but rather to throw the searchlight of inquiry upon another cycle which you may, if you please, relate to that of business and that is the cycle of valuation.

When a stubborn financial world drew nearer to the conclusion that it would no longer be possible to continue its business operations in the post-crash period as they had been carried on in 1927 and 1928, and when it realized that standards of value had been distorted beyond reason it became the order of the day to institute revisory policies. As is customary in periods of declining business volume, all controllable operating costs had so far as possible been pared to the bone; but fixed charges and other kinds of non-operating burdens had either remained unchanged or increased as tax and other charges had increased.

What to do?

Two things were immediately apparent. The first that many businesses were hampered by excessive charges on funded debts and tremendous capital structures. Other businesses had either acquired physical assets at prices representing the top of the market or had otherwise invested too heavily in productive or distributive capacity. In these cases the obvious way out was to reconstruct the capital setup or to abandon or revalue physical assets. It is admissible beyond any reasonable doubt that more often than not procedure of this general nature was justifiable, provided always that the method of that procedure was carefully settled upon and various steps taken with due regard not only for their direction but as well for sound standards of practice insuring against the eventuation of an irreparably impaired financial position.

During the last nine months many corporations have either written down the values of their plant account or altered their capital structure with resultant changes in their surplus figures, and there has therefore been presented to the credit profession an analytical problem not always easy of solution.

In evaluating the credit risk today from the angle of the financial statement, it is customary to place much dependence upon comparative balance sheets, for presumably the trend of safety is usually revealed by comparative figures. It is difficult, however, to use this system of appraisement when one of the balance sheets includes a restatement of capital investments and capital liability because there are a number of questions to be answered immediately.

If the plant assets were written down, was it on the basis of an accurate appraisal and did that appraisal rest upon the subnormal values of 1932 or 1933? Creditors should determine whether restated values are sensibly based or arbitrarily estimated.

If the value of fixed assets has been sharply reduced, has it been due to the abandonment of useless property and, if so, what were the conditions under which that property was acquired? Is it possible to determine a hitherto unsuspected weakness in the capacity risk?

If values have been written down and the correspondingly lower depreciation or obsolescence charges will result, has the writedown been so great that the subsequent accumulation in the reserve account will be insufficient to replace the assets when they are no longer useful? Has the action been followed merely to show a new cost for competitive pricing purposes which is a misleading cost?

Has the write-down of values been made to offset a corresponding writeup in values at some prior time?

If the capital liability has been reduced by a restatement of capital stock value and surplus has been increased accordingly, is it possible to discern the reason for this? And, incidentally, does this move precede a restatement of plant and equipment values so that there will still be a surplus left after devaluing the plant assets?

It is possible to extend this list of questions almost indefinitely but it hardly seems necessary for already there is laid before the mentally hungry credit executives sufficient food for considerable thought. Incidentally, while it was the purpose to ask questions intended to relate particularly to mercantile or banking credit, it will be observed that these questions are equally important in the case of investment credit or a scrutiny of the stockholders' position.

It must be remembered that as a rule unless there has been a genuine abandonment of property or the reduction in plant values is recognized as allowable for federal tax purposes, the profit tax liability will be substantially unchanged; and although lower depreciation or obsolescence charges are added to reserve for stockholders' purposes, yet depreciation charges based on costs alone will be recognized by the federal government when the tax is computed and, accordingly, a high percentage cost element will enter into operation which must not be overlooked.

It is well also to remember that the time has come when legislative activities are generally directed toward a redistribution of wealth and income. And perhaps it is not unthinkable that eventually heavy levies will be laid upon corporation surpluses entirely different from the present provisions for the confiscation of a large percentage of the undistributed earnings of any one year. Accordingly, a reduction of the capital liability and a (*Continued on page 32*)

J. M. RUST, Los Angeles

P. M. MILLIANS, Atlanta

ERNEST I. KILCUP, Providence

Ernest I. Kilcup, newly-elected President of the National Association of Credit Men, is Secretary and Acting Treasurer of the Davol Rubber Company of Providence, R. I. In his years of activity in the affairs of the N. A. C. M. and the Rhode Island Association of Credit Men, Mr. Kilcup has included a wide variety of interests.

The new leader of the nation's credit executives was born in Providence, R. I., on January 27, 1891, was educated in the public schools of that city and later attended Brown University. While he was receiving his education he was also working and in due course had learned four trades before he left factory employment to learn the executive phase of business.

Sometime thereafter he became associated with the Davol Rubber Company as assistant to the Secretary and Acting Treasurer. Then Mr. Kilcup stepped up to become General Credit Manager of the firm, following this advancement with his appointment as Assistant Secretary and Assistant Treasurer and later to his present post.

In credit association circles he has been on the Board of Directors of the Rhode Island body since 1920, besides having held various offices in the association. He was chairman or member of various national committees including the National Committee on Education, the Executive Committee of the Adjustment Bureaus System, and the Administrative (*Continued on page* 27)

F. J. HOPKINS, Minneapolis

Milwaukee's milestone

Summarizing the work of the N. A. C. M's successful 38th annual convention in June, it is revealed as outstanding as to sessions, speakers, accomplishments . . . a record for Los Angeles to shoot at next year.

An overwhelming success. That was the verdict voiced individually and collectively by over 1000 delegates to the 38th Annual Convention of the National Association of Credit Men which was held in the Hotel Schroeder, Milwaukee, Wis., during the week of June 19. Innovations in both the program and the entertainment features caused the delegates to declare that Los Angeles, which made a successful bid for the 1934 Convention, will have to show genuine California enterprise to surpass the Milwaukee parley.

The convention city for next year has been officially announced and Los Angeles will start shortly laying initial plans for the 39th Annual Convention of the credit executives of America. If the Los Angeles Association, which will be Convention host in 1934 continues, as it no doubt will, the enterprise and ingenuity which it displayed at Milwaukee in bidding for the Convention, there is little doubt, however, that next year's Convention will rank at the top, along with Milwaukee and several others.

As an indication of what they could be expected to do next year, Los Angeles came to Milwaukee with as fine a bid for the honor of entertaining the convention as has ever been made. On Monday several misses, dressed in the costumes of Spanish senoritas, appeared in lobbies near the Convention Hall and pinned large orange paper flowers on the lapel of every delegate. Meanwhile large signs had been placed in strategic corners throughout the hotel, all bearing arrows pointing westward in the direction of Los Angeles and emphasizing that Los Angeles was preparing to welcome the 1934 delegates and their wives.

On Tuesday the Los Angeles delegation, headed by Mr. S. P. Chase, Secretary of the Los Angeles Credit Men's Association, came to the sessions with several crates of large juicy California oranges, all of which were slightly chilled and therefore even more desirably delicious to the taste of the delegates who were bearing up very well despite a heat wave that sent the thermometer soaring into the distant 90's.

Wednesday came the coup d' etat of the campaign to take the convention to Los Angeles next year. From the convention platform was presented Miss California, a young and beautiful college student from that far western state, who had been chosen to represent California at the Century of Progress and who had come north to Milwaukee with her mother to aid the California delegation in impressing the delegates.

But before continuing any further with the next convention, let us look back at the meetings at Milwaukee.

The convention opened on Monday afternoon, after a concert by the Milwaukee County American Legion Band, who were national champions in 1929, 1930 and 1931. The convention was called to order by National Director William K. Adams of the First Wisconsin National Bank, who was General Convention Chairman. He presented the gavel to E. Don Ross of Portland, Oregon, the N. A. C. M.'s President who, in turn, introduced the Rev. George H. Mahowald, S.J., Regent of the Marquette University Graduate School. Dr. Mahowald delivered the invocation and was then followed by three addresses of welcome.

The first was delivered by Ray S. Shannon, President of the Milwaukee Association of Credit Men; the second by the Hon. Daniel W. Hoan, Mayor of Milwaukee; and the third by Phil Grau, who represented Governor Albert E. Schmedeman of Wisconsin. Response to greetings was made by P. M. Haight, President of the New York Credit Men's Association, who was followed by the first address of the convention session, intriguingly entitled "C plus D is greater than C plus C" and presented by Dr. William Arthur Ganfield, President of Carroll College at Waukesha, Wis.

Then President Ross introduced Executive Manager Heimann who presented the keynote of the Convention—"Circulating Credit Creates Commerce"—in an inspiring address in which he traced and developed the necessity of credit's growth and stability. His complete address is presented on pages 8, 9 and 10 of this issue.

Tuesday was scheduled for the Credit Congress of Industry under the direction of Philip J. Gray. This was the third of the formal group sessions that were inaugurated in Boston in 1931. Following the opening ceremonies, Joseph McBrien in the absence of T. J. Kenny, Chairman of the National Credit Group Executive Committee, presented this Committee's report for the past year. He was followed by John L. Barchard, President of the Wisconsin State Chamber of Commerce who made a fifteen minute address entitled "Accomplishment" and by Dr. A. P. Haake, Managing Director of the National Association of Furniture Manufacturers, whose address, "This New Order", was an analysis of the need and stipulations of the Industrial Recovery Act. Then the session adjourned to individual industry meetings of which there were 29.

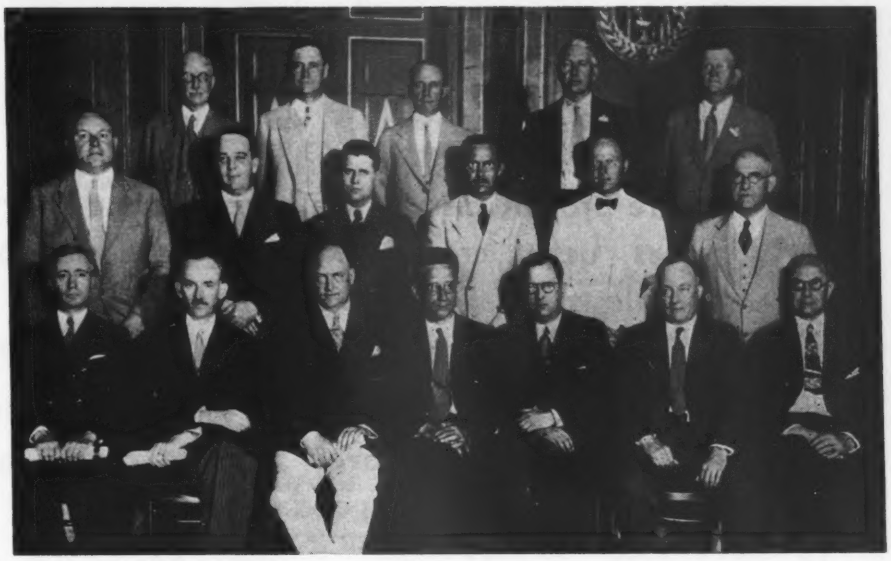
Following the developments of the Credit Congress of Industry, convention delegates gathered on Wednesday morning for a fully rounded session concerning the credit executive, his problems and how the Association is fitted to solve them. After the annual report of the President, three addresses developing three sides of the subject "Sound Credit Practice—Today's Responsibility" were made by R. A. Colliton, Director of the N. A. C. M.'s Credit Interchange Bureaus, S. J. Schneider, President of the Secretarial Council, and David A. Weir, Assistant Executive Manager of the Association.

Following these addresses there was an open forum with J. H. Tregoe, past Executive Manager presiding, and a closing summary by Executive Manager Heimann.

The Wednesday afternoon session contained the annual report of Executive Manager Heimann followed by two featured addresses. The first on the subject "Towards National Recovery" was presented by Dr. Glen Frank, President of the University of Wisconsin. Fitting in with this address by Dr. Frank was the speech by Harry B. Hall, of the American Appraisal Company, Milwaukee, entitled "Price, Profit and Prosperity."

Thursday morning the "Old Guard" of the Milwaukee Convention of 1900 were introduced prior to the address by the Hon. Nellie Tayloe Ross, Director of the U. S. Mint. Mrs. Ross chose as her speech "The Drama of Government" and developed an analysis of the personalities who conduct the affairs of our nation at Washington, D. C. A strong point was scored by Mrs. Ross during the course of her talk when she emphasized that criticism of congressmen, both senators and representatives, was implied criticism of the voters themselves. Mrs. Ross was followed by Dr. Allen D. Albert, Assistant to the President of the Century of Progress at Chicago, which had designated the following day as National Association of Credit Men Day, and which attracted a large body of delegates following the closing of the Convention on Thursday.

The high spot of the Convention Business Sessions came on Thursday afternoon when the Hon. Daniel Calhoun Roper, Secretary of Commerce, addressed the Convention session. The Secretary's address was broadcast by radio. Because of the deep significance of the remarks made by Secretary Roper, a complete copy of his address will be published in the August issue of CREDIT AND FINANCIAL MANAGEMENT. Following the address by Mr. Roper came the election of Officers and Directors for the following year. These are presented on page 13 of this issue. The final gesture of the Convention was the finest. A fine silver service resting on an elaborate silver tray was presented to Mr. and Mrs. E. Don Ross amid the applause and congratulations of the attending delegates who then joined hands and sang the words while the band played "Auld Lang Syne".



Here is a convention group of past and present officers: (l. to r.) seated: F. S. Schrop, H. H. Heimann, E. D. Ross, E. I. Kilcup, P. M. Millians, F. Roth, F. Rock; center row: W. H. Sack, L. S. Buckingham, H. S. Almy, C. H. Hogan, H. E. Engstrom, F. E. Barkley; upper row: C. Whitlock, E. Pilsbury, W. H. Dressler, L. W. Lyons, and W. C. Grimmer.

Report of Pres. Ross

In making this report, as the President of the National Association of Credit Men, I am leaving largely to the Executive Manager the report on actual departmental operation and general Association conditions. What I shall have to say is not so much in the nature of a report as it is an expression of whole-hearted acknowledgment of the satisfaction and profit I have received from my affiliation with this organization; and an expression also of my constantly growing belief in the purposes for which this organization was established, the way in which it has met and is continuing to meet its obligations and an unswerving belief in its future as a virile factor in business development.

During the past year it has been my great pleasure to have visited 42 of our local Associations, to renew hundreds of old acquaintances and friendships and to make other hundreds of new friendships which will continue over the years to come. There has been an abundant satisfaction in these contacts and a growing appreciation of the part which credit executives may play in business, coupled with an ever-strengthened confidence regarding the place which the National Association and its affiliated local units have in this growth.

I believe that the general fitness and standing of credit executives is improving and will continue to improve. I believe also that our local Associations and our National Association are showing comparable improvement and will continue to show comparable improvement in what they are doing. Improvement in the standing and fitness of credit executives will automatically bring about Association advancement. Complementary to that, the progress of the Association will serve as a means of assisting in the advancement and standing of the credit executive.

With business recognizing more and more the need for a sound credit structure, if business itself is to be sound, with credit executives more and more competent and willing to meet this call of business, with the National Association of Credit Men standing ready to assist constructively in meeting credit and business problems of the present and future, there should be no doubt of the important position in which both credit executives and this, their organization will stand.

In this expression of my thanks to you, who have accorded me the privilege of serving as President of your organization, in my appreciation of the friendships in the organization which I value so highly and in the expression of confidence in the future of credit executives, the credit profession and the National Association of Credit Men, I would be untrue to my feelings if I did not add whole-hearted appreciation and regard for my colleagues and fellow workers among the officers and members of the Board of Directors of the Association and my devotion to and confidence in our Executive Manager, his staff and our local (*Cont. on page 27*)

Who pays the profits?

Are prompt discounters, who demand every concession as to prices, better credit risks than those slow-pay customers who quibble not at all about price but are little moved by collection campaigns and oblivious of net terms of sale?

Here are the results of a survey analyzing three accounts: 1. the "close shaver", 2. the "good customer", 3. the "slow-but-good buyer."

by H. M. CARY, The Theodore Poehler Mercantile Company, Emporia, Kansas

Which is the more profitable, over a series of years, the discounter who demands every shade of price concession but is sure as a credit risk, or the slow pay customer who does not argue about the price but who may get into the suspense ledger at some indefinite future time? This is an age old question that has been debated between the credit man and the sales department as far back as the memory of the present writer runneth. The credit man loves the discounter who causes him no loss of sleep, and the salesman likes the easy buyer who always has an order waiting and does not expect cut prices.

To settle the question, as nearly as it can be settled, one jobber had a number of the accounts on his ledgers analyzed for profits and possible losses. The results of the analyses of three representative accounts are given herewith.

Account No. 1. A close shaver. He took all discounts, cash and otherwise. He bought in quantities that entitled him to the very bottom prices. His purchases were $14,787.00 in a year. The net profit to the house, after paying the salesman's commission and deducting the allowances and cash discount was only $309.00, or 2.09% of the purchases. This looked like reducing profits to the vanishing point. But, although this customer's purchases amounted to nearly $1,500.00 a month, the average amount of his unpaid balance on the jobber's ledger was only $617.00, less than fifteen days' business. This represented the firm's investment in that account. Considered as an annual balance sheet proposition, this average investment of $617.00 was paying an annual dividend of $309.00, or 50.09%. Not a bad return. And there was absolutely no credit risk involved.

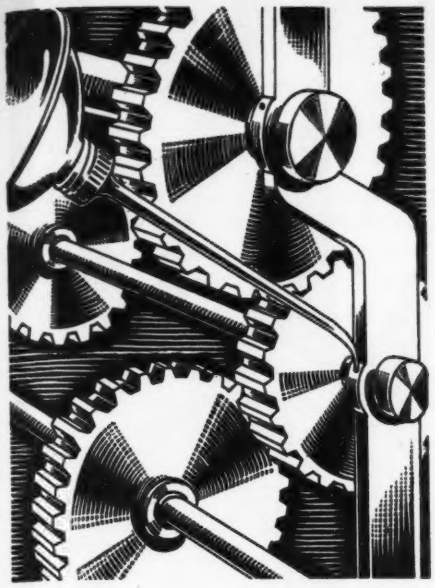
Account No. 2. This was a very good customer. He paid promptly, but did not buy in such quantities as No. 1, nor did he figure prices so closely. For the year his purchases amounted to $5,402.00. And the net profits, all discounts and selling commission off, figured $318.35, or 5.89% of the purchases. The actual profit on this account was more than on No. 1, although the purchases were only about one-third as much. The average ledger balance was $456.00, or about one month's business. The firm's investment in No. 2 was $456.00, and the annual dividend, or profit, $318.35, which is 69.81%. A good return, with only a very moderate risk of ultimate credit loss.

Account No. 3. This was one of those "slow but good" customers. His yearly purchases were $7,284.00. The net profits figured 9.32%, or $679.00, almost as much as on both No. 1 and No. 2. But this customer owed an average balance of $1,408.00, more than the amount of his purchases for two months. The average annual return on this investment was 48.24%. But, to be safe, the jobber thought that he should provide for a possible loss in, say, five years' time, of 50% of the account. So the annual net was multiplied by five and a possible loss of $708.00 deducted, bringing the average annual profits down to $538.00. This reduced the return on the investment from 48.24% to 38.21%.

From these figures it will be seen that the quick paying trade is the most profitable in the long run. Not all the "slow but good" retailers get into the suspense ledger, but enough of them do to wipe out the first appearance of larger profits.

First things first

by ROY A. COLLITON, Director, Credit Interchange Bureaus



Experiences of the past few years have clearly indicated that a financial statement plus antecedent information is not sufficient to the accurate appraisal of a credit risk. With many credit executives the financial statement and its accompanying antecedents have been relegated to a position of secondary importance, and they now use ledger experience information as the basis of their analyses.

That this should be true is not startling in the light of developments. In fact, it would seem that this trend of thought is just now beginning to gain momentum, and the coming year will see an even greater acceptance of that procedure.

When one credit executive was recently asked why he had come to place his main dependence on ledger experience information, he put his case in this fashion: "If you were contemplating an investment in bonds, and some concern came to you stating that their financial statement of a certain previous date reflected a very satisfactory condition, but gave you no intimation of the total amount of bonds sold after that date, and further established no limitation on the amount of bonds they proposed to sell, would you invest?"

"Then," he continued, "translate that to my business. Here is a statement from one of my customers. It is dated January 1, 1933. It indicates a sound condition on that date. How am I to discover from that statement the amount of new indebtedness he has incurred since it was prepared, and how am I to know how much added indebtedness he proposes to incur?

"And again, what establishes the real value of the assets shown on that statement? And what about the liabilities? I am not questioning his figures, or his honesty, but I am asking whether the true facts with reference to the assets and liabilities can be established from the statement alone?

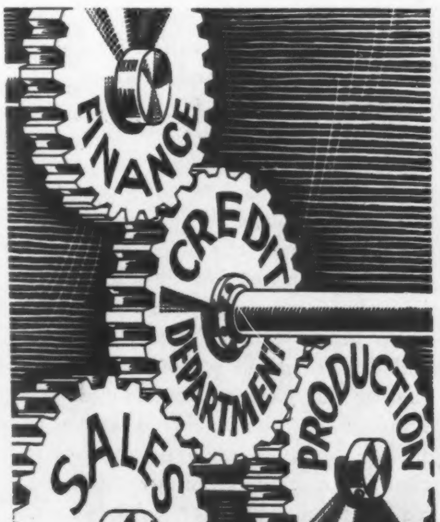
"Finally, I have many customers on my books—some of them have been there for years—who I positively know could not liquidate for 100 cents on the dollar; they would be fortunate to make 50 cents. But am I to stop selling them when they go along meeting their bills? And if I am to continue selling them, and their financial statement does not give me the information I need, just how am I to follow their accounts without ledger experience information?"

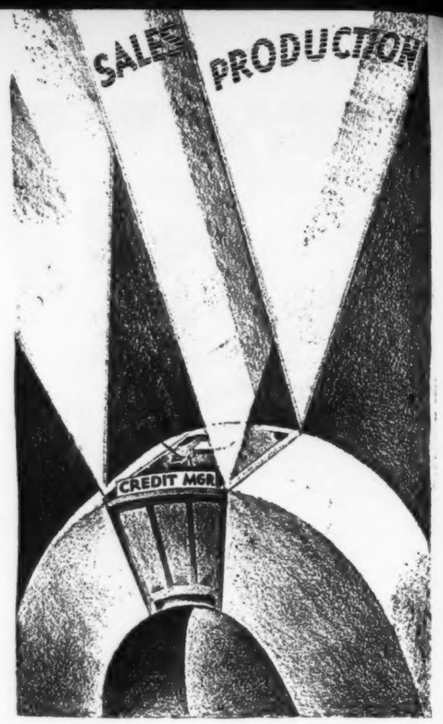
And then, after establishing his problem, he went back over his questions and pointed out that in the case of bond, the element of protection to purchasers was two-fold; that the financial statement while a part of the protective information was not sufficient; that the other important factor was in knowing the amount of bonded indebtedness to be incurred; and unless this latter factor was clearly established, the financial statement was of no value.

He then related that to his customer, and showed that if every concern he—the customer—approached merely accepted his January 1st statement and made no further investigation, there was nothing to prevent his buying from every wholesale institution in the country and building up a tremendous indebtedness without the necessity of his paying a penny to any of them. He set out the fact that commercial fraud is successful only because that policy is pursued; and that the dividends in legitimate failures are all too small only because creditors depend too much on statements, fail to make a careful investigation of the debtor's buying habits, thus permitting him to remain in business long after he is hopelessly involved and which only assures that each day the value of his assets is less and the amount of his liabilities greater.

And then he took up the question of how he was to know how much indebtedness his customer would incur after he had sold him. And there again he set out with even greater clearness the danger of depending on financial statements alone. This time he showed not only the danger to those who sold in the future, but the danger to himself as well, pointing out that his account was reasonably safe just so long as others did not imperil it by allowing the indebtedness to increase to the extent that the customer could not meet it.

Thus far it was relatively easy to follow this credit executive, but it was another matter when he mentioned the establishing of true facts and values for assets and liabilities. He set forth that the assets in any financial statement had two distinct and radicaly different values: First, their value to the owner in the carrying on of his business; second, their value to creditors under liquidation. He pointed out that assets could be worth 100 cents under the first heading, and at the same time worth only 10 or 15 cents on the dollar under the second. His premise was that the measure of safety he could establish on his customer's assets was based solely on the question of whether that customer would continue in business; and that so long as he met his obligations, there was every reason to believe he could continue; but if he was unable to meet his bills, then he was under the ever-present danger of (*Continued on page 40*)





New deal credit

The new deal must be a square deal . . . designed to eliminate the vicious and profitless instruments of competition in credits.

A study in oil credits
by W. C. WENZEL,
Assistant Treasurer,
Richfield Oil Corp. of N. Y.

There is no one factor in the Washington program being publicized which is of more importance to governmental, industrial, or individual life than the credit factor. That is due solely to the realization that for years we were far too prone to consider credit as our cheapest commodity—and, as a result, we became involved in utter chaos. Today we are struggling to our feet on what appears to be a sound, bedrock bottom; having re-gained our footing and our confidence, where should our first step lead us?

The paramount obligation of every oil company credit department to its management is not a policy of restriction of the credit function; neither is it the fulfillment of the job of watch dog over treasury dollars, nor of lap dog to the sales department. The primary obligation of the credit department is the administration of definite sane credit policies in the interest of sales. That obligation can be discharged by intelligent cooperation between the two separate entities of sales and credits, based on a program of education designed to inculcate the aims and needs of management in the minds of both departments. Let it be said here that credit departments should have a voice in that management; else how are we to avoid fiascos in the future such as we have with us now in the pernicious evil we call the individual consumer service station charge account? Isn't it time for us to put a stop to "piracy" in terms and discounts and refuse to submit to further disregard and abandonment of standard practices? Haven't we had enough of such economic inconsistencies? In short, is there any reason why we can't resist utter credit demoralization by re-gaining the use of our credit instincts?

The credit men of the oil industry have presented their views at American Petroleum Institute meetings on occasions in the past, but today they are asking definitely for a new deal. Their request is that the Institute provide for the formation of a standing committee on credit practices, whose members—chosen from the leaders in petroleum credit work—be permitted representation on the various regional code committees.

Numerous marketing executives have expressed their ideas very forcibly as to the feasibility of this plan, with the result that a compilation of expressions into a brief statement shows an overwhelming realization of the necessity for an immediate revision of our procedure. Here is the composite statement reflecting the growing credit consciousness of oil industry management:

"The subject of credit at this time is of vast importance in marketing practices, and enters the matter of financial sanity as well; if more attention were given to credits, the industry would be a whole lot better off. The immediate cash position is of so much importance that unsound credit policies, the tendency of extending unjustifiable credit to consumers, and others of the terrible abuses should be restricted. Credit as a competitive feature should be eliminated, as should unsound credit extended in the lust for greater gallonage; much might be done to improve terms. Marketers for many years have extended not only unwise but unnecessary credits, and the time is appropriate to attempt to eliminate the major portion of retail credits and to curb materially the terms of wholesale credits. *Any* corrective measures would be advantageous to the industry in general."

May I ask if the conservation of our industry's assets through safe investment in "accounts receivable" is worth the recognition due the credit factor? Is a uniform system of accounting of greater importance to the industry than intelligent cooperation between marketing and credit executives to achieve that conservation of assets?

We are confronted every new day with unprecedented conditions in finance through a break-down in the very fundamentals; we have permitted too liberal use of the credit function; we have abused the principle of the cash discount, and we have mired ourselves in a morass of difficulties because of unsound and uneconomic credit practices in general. Therefore, the new deal must be a square deal, based on a reasonable program designed to lessen, and eventually to eliminate, these vicious and profitless tools of competition.

As our industry's margin of profit will increase in direct proportion to the rise in the safety factor of credit granting, I urge the adoption of the following program:

1. Interchange of representation by sales and credit executives in code committee and credit meetings.
2. Participation by credit men in the formation of marketing policies as determined from time to time by their respective managements.
3. Elimination of service station charge accounts (except legitimate commercial accounts as defined by the General Committee, Division of Marketing).
4. Credit education of sales departments toward concentration of sales efforts on properly financed and capably operated outlets.
5. Personal assistance by sales and credit men in analyzing and solving marketing and financial problems of deserving customers.

A committee on practices is now at work on these points.

An analysis of consumer debts by C. H. MATTHEWS

Up from the debts

Consumer debt liquidation is the first step back to yesterday's levels of purchasing power. Many are consolidating their debts and amortizing payments over a definite period of time.

Economists and financial leaders are giving increased attention to proposals that consumer debts must be readjusted and refinanced before the public's credit and cash buying power can be accelerated sufficiently to stimulate business.

Merchants and credit observers agree that sluggish consumer buying is not wholly due to unemployment. Millions of people with incomes are obviously so "debt bogged" that the pressure on them to "pay up" precludes the use of any noticeable part of their revenues for current needs.

Surveys by conservative credit extending agencies develop that inasmuch as a large percentage of these overdue consumer bills were contracted under inflated conditions, there is merit in the suggestion that creditors and debtors must, in many cases, readjust them mutually, scaling them to the individual debtor's present and future ability to pay. Current inflation should not be counted on for these adjustments.

Most consumers who have or will have incomes are so deeply in debt that nearly all their revenues are absorbed by overdue obligations rather than by the new purchases necessary to accelerate industry.

Consumer buying can be set in motion again by the adjustment and refinancing of these piled-up consumer debts. This can be accomplished with the aid of established financial channels as well as by adjustment of amounts. But creditors must face facts and write down consumer debts incurred in inflated times to the point where the consumer can shoulder them, and then, even in the face of public criticism insist upon payment wthin the debtor's capacity.

Consumer debt liquidation is the first step towards increased domestic purchasing and employment; it is just as important as writing down and funding of commercial, industrial and governmental obligations.

Whenever debt adjustment is considered it must be assumed, of course, that consideration and compromise by the creditor will be met with co-operation, prompt payment and sacrifice by the debtor. It is reasonable under those and many other present conditions that the debtor be encouraged to lump and liquidate scattered accumulated obligations by long-time installment loans from established sources, repayable in monthly sums small enough to permit him, simultaneously, to use the bulk of his current income for purchasing.

Consumer debts overdue at the present time are mostly owed to retail establishments or professional men. The effect upon business is manifest. The latest Department of Commerce retail credit survey shows that the time outstanding for retail "open" charge accounts has increased to 80 days—nearly three months—from their due date.

David J. Woodlock, general manager of the National Retail Credit Association, recently issued a statement saying that "we will have no permanent recovery until . . . millions who are head-over-heels in debt can work themselves out by consolidating their indebtedness and amortizing payments over a period of time."

Similarly significant is the opinion of Howard S. Davidson, vice-president of the United States Chamber of Commerce, who is sponsoring a "Stretch Your Income—Clean Up Your Bills" drive among consumers on behalf of merchants in several mid-western cities, that unless consumers pay bills more promptly either by "stretching income or with the aid of refinancing loans, merchants cannot be expected to possess capital to re-order goods sufficiently to quicken manufacturing, employment and the production and prices of raw materials."

The more conservative economists and proponents of "borrowing to pay" by consumers stress the fact that "merely borrowing from Peter to pay Paul" will not solve the situation. They declare that it is essential that the refinancing debt be on such terms and owed to such creditor agencies that it can be retired:

1—Systematically, and consistently with the debtor's income and current buying needs during the period of retirement. The total obligations of the debtor must not be too great to be amortized over a reasonable period of time. And:

2—Constructively in relation to the fabric of business and industry.

The first requirement is met largely when the debtor lumps debts owed retailers and others into one creditor, uses the money from the loan to immediately clean up retail obligations, and repays the amortization obligation gradually but uniformly.

The second is fulfilled (*Cont. on p.* 32)

Photo-mural from Otis Elevator Co. exhibit at the Century of Progress.

Nation-wide collection and sales conditions

Credit and Financial Management offers its regular monthly survey of collections and sales conditions. It is based upon reports from the associations throughout the country affiliated with the N. A. C. M. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to Credit and Financial Management. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair
Ariz.	Phoenix	Fair	Fair
Ark.	Little Rock	Fair	Fair
Cal.	Los Angeles	Good	Good
	Oakland	Fair	Fair
	San Diego	Good	Good
	San Francisco	Fair	Fair
Colo.	Denver	Fair	Fair
	Pueblo	Fair	Fair
Conn.	Bridgeport	Fair	Fair
	Waterbury	Slow	Slow
D. C.	Washington	Slow	Slow
Fla.	Jacksonville	Slow	Slow
	Tampa	Slow	Fair
Ga.	Atlanta	Good	Good
Idaho	Boise	Fair	Fair
Ill.	Peoria	Fair	Fair
Ind.	Evansville	Fair	Fair
	Ft. Wayne	Fair	Fair
	Indianapolis	Fair	Fair
	South Bend	Fair	Fair
	Terre Haute	Good	Fair
Iowa	Burlington	Slow	Slow
	Cedar Rapids	Good	Good
	Davenport	Slow	Fair
	Des Moines	Slow	Slow
	Ottumwa	Slow	Fair
Kans.	Wichita	Slow	Fair
Ky.	Lexington	Fair	Fair
	Louisville	Fair	Fair
La.	New Orleans	Fair	Fair
Md.	Baltimore	Fair	Fair
Mass.	Boston	Fair	Fair
	Springfield	Good	Good
	Worcester	Good	Good
Mich.	Detroit	Fair	Fair
	Flint	Fair	Fair
	Grand Rapids	Fair	Good
	Jackson	Fair	Fair
Minn.	Duluth	Fair	Fair
	Minneapolis	Fair	Fair
Mo.	St. Joseph	Fair	Fair
	St. Louis	Fair	Good
	Great Falls	Slow	Fair
Mont.	Billings	Fair	Fair
	Helena	Slow	Slow
Neb.	Omaha	Fair	Good
N. J.	Newark	Fair	Fair
N. Y.	Albany	Fair	Good
	Binghamton	Fair	Good
	Buffalo	Good	Good
N. Y.	Elmira	Slow	Fair
	New York	Fair	Good
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Fair	Fair
N. C.	Charlotte	Good	Good
N. D.	Grand Forks	Fair	Fair
Ohio	Cincinnati	Fair	Fair
	Cleveland	Fair	Fair
	Columbus	Fair	Fair
	Dayton	Fair	Fair
	Toledo	Slow	Slow
	Youngstown	Fair	Fair
Okla.	Oklahoma City	Slow	Slow
Oregon	Tulsa	Slow	Slow
Pa.	Portland	Fair	Fair
	Allentown	Slow	Slow
	Altoona	Slow	Slow
	Harrisburg	Fair	Fair
	Johnstown	Slow	Slow
	New Castle	Slow	Slow
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Slow	Fair
S. D.	Sioux Falls	Fair	Fair
Tenn.	Chattanooga	Slow	Fair
	Knoxville	Fair	Fair
	Memphis	Fair	Fair
Texas	Austin	Fair	Fair
	Dallas	Fair	Fair
	El Paso	Fair	Fair
	Ft. Worth	Good	Fair
	Houston	Fair	Fair
	San Antonio	Slow	Fair
	Wichita Falls	Fair	Good
Utah	Salt Lake City	Fair	Fair
Va.	Lynchburg	Slow	Fair
	Norfolk	Fair	Good
	Richmond	Fair	Good
	Roanoke	Fair	Fair
Wash.	Bellingham	Slow	Slow
	Seattle	Slow	Slow
	Spokane	Slow	Slow
W. Va.	Bluefield	Slow	Slow
	Charleston	Fair	Good
	Clarksburg	Slow	Slow
	Parkersburg	Fair	Fair
Wis.	Fond du Lac	Slow	Slow
	Green Bay	Slow	Fair
	Milwaukee	Fair	Fair
Hawaii	Honolulu	Slow	Slow

Nation-wide collection and sales comments

ALABAMA: Birmingham reports all lines, except packing house products and produce showing gains. Cotton sections doing more buying for fall and later delivery than in several years. Off season for produce and meats.

ARIZONA: Phoenix informs us the normal summer decline is not yet being felt and there is a general belief that the summer decline this year may be very light as compared to normal years, this being chiefly due to the fact that many people will be compelled to remain in Central and Southern Arizona during the summer, whereas in the past they have spent prolonged vacations on the coast and in northern Arizona.

CALIFORNIA: The increased retail sales in Oakland have caused an improvement in wholesale collections. Sales in many lines have increased. Collections in San Francisco have shown an increase since last month. Many accounts are not paid in full, whereas last month only payments were made on account. Prices have advanced and sales have increased slightly.

CONNECTICUT: A marked improvement has been noted in Waterbury in local factory orders. There has been an increase in hours and help both in shops and factory offices. It will take some time to ease matters financially on account of the heavy burden of debt for rent and necessities.

FLORIDA: Jacksonville reports wholesale sales for May show a gain for the first time in several years. Wholesalers and manufacturers are feeling somewhat better. Retailers had the poorest month for several years. The retail business seems to be getting worse all the time.

INDIANA: Collections in Ft. Wayne have picked up considerably, but it is hard to persuade clients to place their collections at this time. The electric refrigeration is increasing by leaps and bounds. South Bend reports June sales have been 75% over last June.

KENTUCKY: The tobacco, paints and hardware lines in Kentucky have shown a marked improvement.

MASSACHUSETTS: Some of the larger factories in Springfield are working twenty-four hours in the day. Men are being taken on and general increase of wages in working lines has been noted.

MICHIGAN: Detroit reports collections improving and sales have noticeably improved, although they are still far from normal. The automobile factories are rapidly increasing their manufacturing schedules and that provides a wonderful local stimulus.

MINNESOTA: Collections and sales in Duluth are still fair. There are some bright spots on the horizon, which if they develop will better business conditions. There is one drawback, however, for this section and that is the difficulty over taxes with the mining companies, who have during the past years been taxed to death, and they have now announced they will not pay the last half of taxes due in October. Unless this can be adjusted and a point reached where settlement can be made, that one fact alone is going to more than offset any improvement that will or can be noted between now and October. Sales in St. Paul have been in excess of seasonable demand, 60% reporting good, 40% reporting fair. There is evidence of continued improvement. Some houses find collections best in three years.

NEBRASKA: Omaha reports collections on current accounts are good, but they are unable to make any particular progress on old accounts in cutting them down. Sales are very good and in some instances they are unable to fill orders on account of depleted stock.

OHIO: Collections in Cincinnati have improved 100% over the last few months and sales are improving to a marked degree in many lines.

PENNSYLVANIA: Harrisburg reports the following: "Steel demands keeps on new schedule. More orders for Bethlehem Steel. Wage increase of 10% in steel mills. Newspaper headlines of deep interest far reaching effect in the Harrisburg community. The gloomy critic will frown and say unemployment is large, ask why not employ more steel workers instead of raising wages for those already employed? The answer as supplied by Bethlehem Steel in its Steelton plant is that work is being rotated. As many as possible are being given work. Each will be affected by an increase in the hourly wage. A pay increase for steel workers regardless of the amount means more jobs in other occupations which will benefit by increased purchases."

TENNESSEE: The increase in the price of cotton has caused a favorable reaction. Sales have increased and current collections are brighter.

TEXAS: Ft. Worth reports collections continue fairly good, with indications for still further improvement and wheat, wool and mohair prices advancing and these crops ready for the market. Sales in most lines show a gradual improvement, with a very few reporting no change to speak of. Optimism prevails everywhere and with prospects of a fair grain crop at a good price and the wool and mohair crop ready to be marketed, sales in all lines show considerable improvement.

WEST VIRGINIA: Sales in Charleston are picking up also wages.

Changes since last month's survey

State	City	Collections	Sales
Alabama	Birmingham	Slow to Fair	
California	Oakland	Slow to Fair	Slow to Fair
Colorado	Denver	Slow to Fair	Slow to Fair
D. C.	Washington		Fair to Slow
Georgia	Atlanta	Fair to Good	Fair to Good
Indiana	Evansville		Slow to Fair
	Indianapolis	Slow to Fair	Good to Fair
	South Bend	Slow to Fair	Slow to Fair
	Terre Haute	Fair to Good	
Iowa	Davenport		Slow to Fair
Kansas	Wichita		Slow to Fair
Massachusetts	Worcester	Fair to Good	Fair to Good
Michigan	Flint	Slow to Fair	Slow to Fair
	Grand Rapids	Slow to Fair	Fair to Good
Missouri	St. Louis		Fair to Good
Nebraska	Omaha		Fair to Good
New Jersey	Newark	Slow to Fair	Slow to Fair
New York	Albany	Slow to Fair	Fair to Good
	Binghamton		Fair to Good
	Buffalo	Fair to Good	Fair to Good
	New York		Fair to Good
North Carolina	Charlotte	Fair to Good	Fair to Good
Ohio	Cincinnati	Slow to Fair	Slow to Fair
	Youngstown	Slow to Fair	Slow to Fair
Oregon	Portland		Good to Fair
Pennsylvania	Harrisburg		Good to Fair
Rhode Island	Providence		Slow to Fair
Tennessee	Chattanooga		Slow to Fair
	Knoxville		Good to Fair
	Memphis	Slow to Fair	
Texas	San Antonio		Slow to Fair
Utah	Salt Lake City	Slow to Fair	
Virginia	Lynchburg	Fair to Slow	
	Richmond		Fair to Good
West Virginia	Charleston	Slow to Fair	Slow to Good
	Parkersburg	Slow to Fair	Slow to Fair

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

THE INDUSTRIAL DISCIPLINE. By Rexford G. Tugwell. Published by Columbia University Press, N. Y. $2.50.

The appearance of "The Industrial Discipline" by Rexford G. Tugwell, Professor of Economics at Columbia University and now Assistant Secretary of Agriculture, has created quite a furore in the field of business and economic literature. Mr. Tugwell's designation as one of the President's so-called "Brain Trust" created an immediate response and demand for this book. Because of the author's present position of importance in the Roosevelt administration, many deductions have been drawn concerning this book which are inaccurate and misleading.

Several facile reviewers stated that "The Industrial Discipline" will give anyone who reads it an understanding of the vast amount of legislation that has been enacted by Congress since March 4. In sweeping generalizations reviewers impute to Mr. Tugwell the basic inspiration for virtually all of this legislation. This is decidedly misleading. Mr. Tugwell's book should be read as a modern economic treatise and not as an interpretation and explanation of the economic philosophy that motivates the Roosevelt administration. Mr. Tugwell ventures to look into the future through the binoculars of historical perspective.

He asks: "How can our various and multiple economic groups work together with the same relative efficiency that business units within many of these groups now work together?"

He states: "No adequate theory of group control has ever been worked out; but there are many examples which might be studied with profit." He then explains these "examples" and draws deductions from them which might be applied to our present problems.

This book was published before the advent of the Industrial Recovery Act but, fortunately, it gives a clear cut analysis of the economic problems that the administrators of this Act must meet. Every business man interested in the Industrial Recovery Act, and what its probable developments will and must be, should read this book.

It is Mr. Tugwell's contention that we have passed largely from the stage of individual initiative into the stage of group initiative. Individual initiative must function predominantly within the confines of group organization. Mr. Tugwell does not advance any thesis against traditional American individualism but he sets forth frankly the contention that it must be expressed through new channels. In seven scholarly chapters, the author analyses our industrial background, our present industrial set-up and the probable course industry and business must take in the future. His conclusions point toward a collectivism in which our individualism will not be smothered but will have a full opportunity for expression within a group economy.

The reader who expects to find any theoretical or radical departure from sound and fundamental economic doctrines will be disappointed. It should be read as a practical interpretation of the problems we face and the industrial discipline we must assume but not as a revolutionary treatise written by one of the President's "Brain Trust."

—Chester H. McCall

Responsible discussion

STABILIZATION OF EMPLOYMENT. Edited by Charles F. Roos. The Principia Press, Inc., Bloomington, Ind., 1933.

In this book are brought together the seventeen papers on the stabilization of employment which were presented at the Atlantic City meeting of the American Association for the Advancement of Science. The contributors of these papers are outstanding economists, industrialists, statisticians, and engineers in this country.

Charles F. Kettering, president of the General Motors Research Corporation, asks that a strict scientific method be employed in the investigation of this problem; Dugald C. Jackson, professor of Electrical Engineering at the Massachusetts Institute of Technology, believes that the use of machinery *per se* bears no evidence of being the cause of economic depressions; Gerard Swope, the president of the General Electric Company, discusses employment assurance and insurance; Irving Fisher, of Yale University, discusses the relation of employment to the price level; Karl T. Compton, president of the Massachusetts Institute of Technology, believes that from the point of view of the public, unemployment legislation is desirable; and Royal Meeker, president of the Index Number Institute, calls for the outlawry of unemployment.

The eminence of the contributors and the prestige of the association give prompt assurance that this work is not an ephemeral attempt at pamphleteering, but a responsible discussion of the problem of stabilization of employment.

—E. G. P.

Among those present:

THE IRREPRESSIBLE CONFLICT. By David Cushman Coyle. Published by the author, New York, N. Y. $.60.

The conflict to which Mr. Coyle refers in his title is one of business versus finance. We have come to the end of an era, he declares, and today are making adjustments through the power of government. "From now on, the intolerable sin is not extravagance but avarice."

VALUE THEORY AND BUSINESS CYCLES. By H. L. McCracken. Falcon Press, Inc., N. Y., $4.00.

In his preface, the author declares that "it is the purpose of the present study to show the vital relation between business cycle theory and value theory." Mr. McCracken then develops his work by an analysis of economists and their teachings from the day of Ricardo and Malthus to the present with our John Maynard Keynes' and Irving Fishers.

In the final section on business equiliberation, there is a thorough analysis of the problem including tariffs, unstable money, and the effects of wars.

NEW

...a Typewriter that operates entirely from the keyboard

THE MOTOR RETURNS THE CARRIAGE

A mere touch of the "return" key causes the motor to return the carriage to the starting position, or to an intermediate point. Spacing to the next writing line is automatic.

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A light depression of the "shift" key (normally used to shift the platen manually) causes the motor to shift the platen instantly and firmly to the upper position.

The keyboard is standard: . . . There is no new touch to learn

Here is a new electrically-controlled Burroughs typewriter that marks a distinct advance in faster and easier typing. With this machine the motor does all the heavy work. The speedy hands of the skilled typist need never leave the keyboard.

Already hundreds of users have discovered that this new development results in greatly increased production and a far better grade of work.

Like all Burroughs machines, this new product is guaranteed by Burroughs, and backed by the same Burroughs service organization that for years has serviced electrically-operated Burroughs machines in offices throughout the world.

Burroughs Electric Carriage Typewriter—as well as other Burroughs Typewriters—is on display at local Burroughs offices. Telephone today for a demonstration in your own office—or write for descriptive folder. Burroughs Adding Machine Company, 6257 Second Blvd., Detroit, Michigan.

BURROUGHS *Electric Carriage* TYPEWRITER

"This month's collection letter"

by H. F. SCHMIDT, Electrical Supply Co., New Orleans, La.

Dear Sir:

The original draft of the Declaration of Independence may be seen at the State Department at Washington, but none of the signatures on this heroic document—not even the plainly legible one of JOHN HANCOCK—can in any way compare with your own "John Hancock" on your own check—not by a jugful!

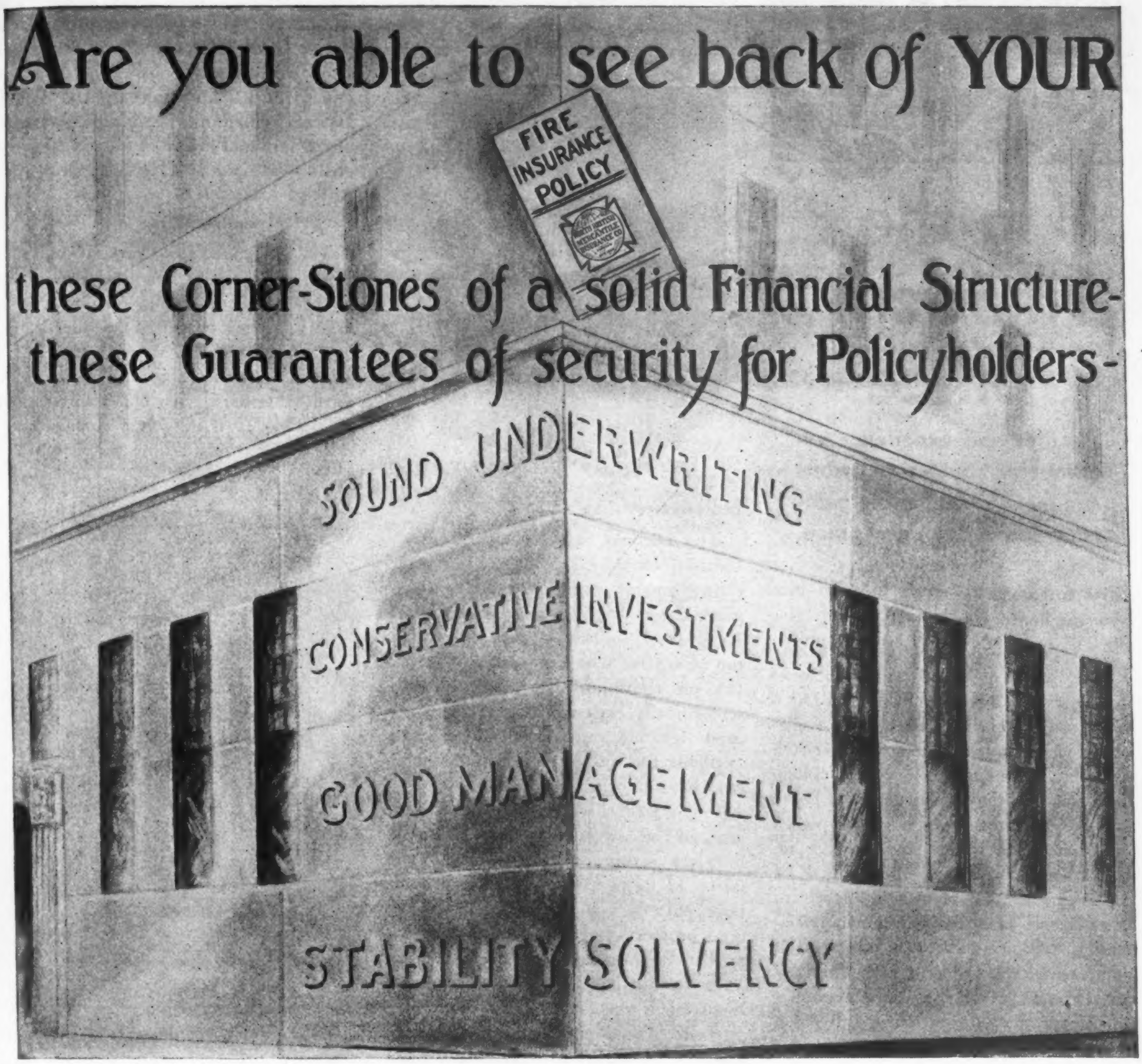
Just a little hint!

The collection letters presented each month in this department are not theoretical model letters. Each letter has been used successfully in actual practice and experience. Only those letters are selected which have brought unusually good returns to their users. By making a few changes in the phrasing of these letters you can adapt them to your own business with the same degree of success that they have brought others.

In order to write an intelligent collection letter, you must know the paying habits of each customer to whom you send a letter. The first prerequisite to successful collection procedure is a Credit Interchange report by the Credit Interchange Bureaus of the National Association of Credit Men. These reports tell you when to collect and how to collect. With Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented in this department every month.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT is available upon application. Apply to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.



The Commonwealth Insurance Company of New York
The Mercantile Insurance Company of America
The Homeland Insurance Company of America
North British & Mercantile Insurance Company, Limited
(U. S. Branch)
The Pennsylvania Fire Insurance Company

invite the most rigid examination by Policyholders, Prospects and Financiers of their December 31, 1932 Financial Statements, which include not only a complete portfolio of their investments but also Moody's Investors Service ratings (officially recognized by the New York Insurance Department).

So far as we know, no other companies have volunteered these important facts regarding their investments and financial condition. Copies of these Statements, portfolios with Moody's ratings may be had upon request to Publicity Department, North British & Mercantile Insurance Company, Ltd., 150 William Street, New York.

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Ditto introduces new duplicators

Ditto, Inc., Chicago, Ill., is offering a new series of duplicating machines known as the F-5 series. Like all Ditto machines, the new models make copies of anything typewritten, handwritten or drawn and in as many as eight colors. The original copy is made with Ditto ink or typewriter ribbon and then placed in the machine where duplicated copies are struck off. Any weight or size of paper can be used from small labels to large forms. The process involves transferring the original to a composition duplicating roll which holds the impression and prints the material on the blank sheets fed into the machine. Many improvements in design and operation have been incorporated in the new machine. The cabinet on which the machine is set is of steel construction. A disappearing side shelf with receptacles for pins and clips conserves space. Drawers in the lower section of the cabinet are for storage of rollers.

Ball bearing tracks and rubber cushioning throughout make for quiet and effortless operation. Oil-less bearings eliminate need for lubrication, and structural simplicity makes adjustments unnecessary. Other mechanical features include an automatic moistener; an automatic counter showing how many copies have been pulled; new single spindle rolls that save time and prevent injury to rolls; self-finding roll sockets which speed insertion and removal of rolls; a new impression roller which compensates automatically for varying thicknesses of paper fed to the machine; and pressure and platen rollers which are easy to clean.

Explosive-resistive

The Diebold Safe & Lock Compny, Canton, Ohio, has perfected an interesting line of explosive-resistive Cashgard chests bearing the Underwriters' X-60 label. These chests are for the use of anyone who has money or securities on the premises. Each chest is scientifically designed so that the maximum interior capacity is conveniently available for the protection of cash, securities and other valuables.

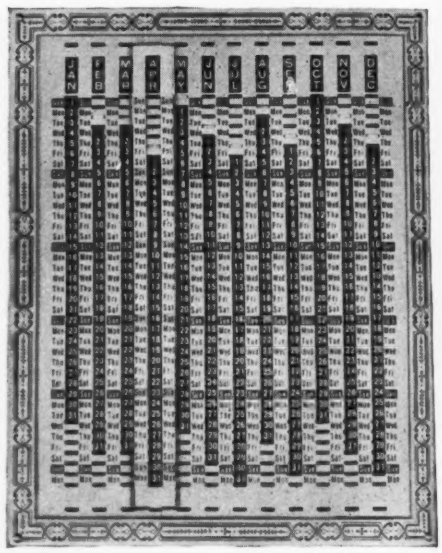
It is stated that these new chests are granted the lowest mercantile and bank burglary insurance rates—Class F and Class H respectively. They provide their possessors with known and measured protection against the severest attacks. It is interesting to note that in order to qualify for the Underwriters X-60 label, the chests must have successfully passed the extreme tests imposed by laboratory attacks with a total of eight ounces of nitroglycerine and portable tools. Hold-up protection is combined with burglar protection in Diebold X-60 Cash-gard chests. This combination is quite essential when one remembers that criminals take the easiest way. This chest is one of many lines of Diebold Cash-gard chests, there being a type and size for every risk. All are designed to form the basis of a scientific method of handling money and securities so as to keep them beyond the reach of hold-up bandits and burglars. The complete line will be displayed in the Diebold booth at A Century of Progress Exposition, Chicago.

File fastener

The Bates Manufacturing Company of Orange, N. J., announces the Bates File Fastener, here illustrated. The company claims as features of the new device, slide locks, no sharp edges and reinforced beveled ends. The device is said to lie flat and bind tightly. These fasteners come in a handy compartment box of unusual design, wrapped in cellophane and holding fifty fasteners.

Perpetual calender

The Defiance Sales Corporation, New York, N. Y., is manufacturing the Everdater, combining utility with beauty. It is a perpetual calendar showing twelve months at a glance. This calendar is made of twenty-gauge nontarnishable brass with characters etched in black. It stands on a strong black easel. The outside measurements are eight by ten inches.



"Olympia-Plurotyp" writing machine

Europa-Schreibmaschienen A. G., Berlin, Germany, exhibited its "Plurotyp" writing machine at the Leipzig Spring Fair, and this was one of the important contributions to the exhibits. The "Plurotyp" machine makes several fonts of type available, such as standard pica and elite, display faces, etc. An attachment permits typing with normal space between the characters condensed to save space, or expanded to give emphasis. The machine can be adjusted to strike blows for wax or composition stencils, or for preparing master metal plates for the planographic process. The keyboard is placed at the right of the machine, and the characters selected with a stylus suspended from a frame. After the character has been selected by means of the stylus, an impression key is depressed, and the character is written. This phase of the machine is similar to that of the "Mignon."

Large distributors collect more promptly

That there is a definite relation between the volume of business done by wholesalers and manufacturers and the promptness with which they collect their accounts from retailers is indicated in the figures recently compiled by the Department of Commerce in its mercantile credit survey. The length of time accounts of wholesalers and manufacturers are outstanding varies directly with the total volume of business which they transact, the larger the business the more promptly accounts are paid.

Wholesalers and manufacturers with sales of less than $100,000 annually had their accounts outstanding an average of 78 days in 1930, and this figure was progressively lower as the volume of business transacted increased, with concerns doing a business of $2,500,000 and over reporting accounts outstanding only an average of 62 days.

It is apparent from these figures that collection practices vary in different regions throughout the country, with accounts of all retailers combined outstanding an average of only 55 days in the West Mid-Continent region, and from 66 to 68 days in the Midwest, Southeast and the Gulf Southwest regions. Accounts of all retailers combined were outstanding an average of 63 days in the United States in 1930, the survey reveals.

The table below shows variation in collection percentages and other related data for various sizes of wholesale and manufacturing establishments and for the regional divisions of the country.

Average length of time accounts receivable were outstanding in 1929 and 1930 for wholesalers and manufacturers in principal lines of trade

Classification	Average number days accounts outstanding 1929	1930	Collection percentages in weighted averages 1929	1930	In thousands of dollars: Average monthly balance outstanding 190	Total net sales 1930	Number of establishments
Sales volume							
Less than $10.000	74	78	40.8	38.3	$5.325	$23,415	363
$100,000 to $249,999	70	75	42.8	40.1	28,977	145,159	838
$250, to $499,999	65	69	46.5	43.4	56,623	307,497	844
$500, to $999,000	61	65	49.4	46.4	108,600	632,264	885
$1,000,000 to $2,499-	61	64	49.4	47.1	182,980	1,092,675	703
$2,500,000 and over	60	62	50.4	48.2	501,603	3,549,235	468
Region							
New England	59	63	50.5	47.8	74,190	421,708	352
Central Atlantic	59	60	50.8	49.7	283,770	1,930,795	1147
Midwest	63	68	47.4	44.0	282,554	1,718,403	1252
Southwest	65	66	46.3	45.2	13,692	100,396	80
Gulf Southwest	65	68	46.5	43.9	95,929	629,075	412
West Midcontinent	53	55	56.4	54.3	17,940	143,817	148
Central Northwest	57	60	52.2	50.4	28,738	194,285	178
Pacific Northwest	58	63	51.3	47.4	18,330	120,873	152
Pacific Southwest	56	60	53.3	50.3	68,964	490,893	380
Total	61	63	49.5	47.1	884,107	5,750,245	4101

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Louisville, Ky.
A. R. Wilson
Denver, Colo.
W. C. Wright
Utica, N. Y.

Report of Pres. Ross

(*Continued from page* 15) Association personnel, in the work which they are carrying on with your whole-hearted assistance and co-operation.

The satisfaction and profit which I have received from serving for several years as Vice President of this Association, for one year as Acting President and for the past year as President, more than compensate me for the time and effort which I have given to the organization. In retiring from this office I shall do so with the promise to you that my interest in the organization will still be maintained without ceasing and that I have full assurance that substantial progress in Association activities will continue under those who succeed me.

E. Don Ross

Ernest I. Kilcup

(*Cont. from p.* 13) Committee for three years, heading that group in the past year. For five years he served as a National Director and last year as Vice President of the Association.

But all of Mr. Kilcup's knowledge and efforts have not been summoned by the N. A. C. M. Besides his extensive credit career, the new President has been a member of the National Bankruptcy Committee of the United States Chamber of Commerce, chairman of the Marketing Division of the Providence Chamber of Commerce, instructor in several subjects at Northeastern University where he is presently a member of the Educational Committee. He is also a member of various fraternal clubs and organizations which he modestly declares "need not be specified."

Beware the unknown buyer!

by RAYMOND HOUGH,
General Manager,
Service Bureau,
New York C. M. A.

The complaint is ofttimes heard among credit executives themselves that credit is too cheap and that cheap credit causes much of the losses and confusion in industry.

It is quite difficult to understand why our members will ship out merchandise on nothing more than a printed postcard order from concerns and persons they never heard of, without any signature or initials on the cards and sometimes without any street address.

It is not unusual for concerns, playing upon the ease with which credit may be secured, to adopt a trade name quite similar to that of some well rated concern in a given locality, rent a little temporary office or room and order merchandise as stated above. A recent instance of this kind came to our attention centering in a city in New York State, not so very far from New York City. On requests of parties who had received these orders and who were suspicious, the New York Credit Men's Association checked into the matter carefully in conjunction with the local credit association on the ground. Sure enough, various creditors had shipped merchandise amounting up to $200.00 or more on the supposition that they were shipping to a well rated firm. Efforts to secure the signing of a complaint to lodge with the Post Office Department in order to secure a fraud order and prevent this party from securing mail were unavailing because parties who were "stuck" stated it was their fault, that they should have looked up the concern more carefully before shipping.

However, the pressure from this office and our Association office got too warm for the gentleman and he closed his office and vanished but, lo and behold, orders began to come in, in exactly the same style from a city across the state line in another state not thirty miles away from the first city. It became reasonably evident that the party had merely moved his location and adopted another name and, would you believe it, within a few weeks' time some six or eight lots of merchandise varying in quantity from $100.00 to $200.00 were in the depot of the city for somebody to come and get them on an open account.

The gentleman in question was picked up by the police, questioned and admitted ordering the merchandise and gave no very satisfactory explanation. He had to be released due to the fact that there was no one in a position to or who would sign a complaint.

There were other features in connection with the case which were investigated by the New York Credit Men's Association and associated office, which show the method arranged for the disposal of the merchandise but inasmuch as the merchandise was shipped on open account to this party without any false representation, in all probability and as near as the New York Credit Men's Association could determine, the merchandise belonged to the party to whom it was shipped and he could dispose of it as he saw fit without committing any crime.

Credit appraisers sometimes wonder why when these things happen that something is not done and the gentleman put in jail. The answer is that when merchandise is shipped on open account to anyone, without misrepresentation, no crime is committed. Very frequently the courts do hold "caveat emptor", meaning "Let the buyer beware". The law certainly does not propose to carry law to the extent of trying to protect business against the absurdity of extending credit under the above conditions.

What the New York Credit Men's Association and other Associations strive to do in cases of this kind, is to get the information received from other members to the firms interested or who may be interested and put them on their guard. That is about as far as they can go under such circumstances. The real and only protection to creditors in cases of this nature is the logical one. Use your credit association's sources for checking up before shipping and do not ship parties you never heard of before on postcard or even letter orders, which do not indicate plainly who is interested in the firm or concern which signs the letter, nor gives you any background at all.

We've all met them

"I've knowed," said Uncle Hiram, "lots o' fellers in my time
That had some right good theories, yet never had a dime.
They talked quite hifalutin' an' they made a heap o' spread,
An' calkerlated somehow on a somethin' jes' ahead!

"A fellow you are knowin' tells you confidentially
Of a scheme for makin' money jes' hand o'er first, you see,
But the situation sizin' up, although in workin' prime,
He isn't doin' anything at jes' the present time.

"He's allers goin' t' do it, an' he's meanin' well, no doubt,
Though good at theorizin', ain't wuth shucks t' work it out.
A crank you couldn't call him, cranks persistently'll dream
Of jes' one thing—This feller passes on from scheme t' scheme.

"Then there's the other feller, close related t' the one
I've mentioned—he's the feller allers tellin' what he's done,
Once he was rich an' honored, had his praises sung in rhyme—
But he isn't doin' anything at jes' the present time.

"They're never doin' nothin', far as any one can see,
An' that's jes' why their talkin' ain't of interest t' me.
I'd rather with a feller that was busy keep in touch,
I can learn a heap more from him though he doesn't talk as much.

"An' so," said Uncle Hiram, "jes' observe now for yourself,
You'll find these two I've mentioned in your struggle after pelf,
The one's been t' the top an' one's preparin' fer t' climb—
But they ain't a doin' anything at jest the present time."

Anonymous

When you want to think don't make yourself so comfortable that you fall asleep.

WILLIAM FEATHER.

Difficulty of enforcing terms

As annual sales volume of wholesalers and manufacturers increases there is less difficulty encountered in enforcing established credit terms and discounts, it is revealed in the nation-wide survey of mercantile credit recently completed by the Department of Commerce. Smaller distributors have to deal with more attempts on the part of retailers to dictate terms and to take unearned discounts than do their larger competitors, it has been found.

Only 4.5 per cent of retail dealers who purchase goods from the reporting wholesalers and manufacturers with sales in excess of $1,000,000 yearly attempt to dictate terms, it was revealed, while 6.7 per cent of the customers of such distributors with annual sales less than $100,000 attempt to dictate terms. Only about 6 per cent of the customers of the larger firms attempt to take unearned discounts, compared with 11 per cent of the customers of the smaller classification of distributors.

While an average of 5.4 per cent of all retail store customers of the wholesalers and manufacturers in the United States who reported were found to attempt to dictate terms, and 8.1 per cent to take unearned discounts, these practices varied widely in different parts of the country. The table below shows the variation between different geographical districts of the country, as well as the relation between the volume of sales and percentage of customers attempting to change the distributors' terms.

Per cent of customers attempting to dictate terms and take unearned discounts in 1930 for wholesalers and manufacturers in principal lines of trade. (Percentages are simple averages)

Classification	Attempting to dictate terms: Firms	Attempting to dictate terms: Percent of customers	Attempting to take unearned discounts: Firms reporting	Attempting to take unearned discounts: Percent of customers
Sales Volume				
Less than $100,000	294	6.7	277	11.0
$100,000 to $249,999	698	6.1	652	10.0
$250,000 to $499,999	719	5.6	684	7.5
$500,000 to $999,999	753	5.5	693	8.4
$1,000,000 to $2,499,999	603	4.4	520	6.3
$2,500,000 and over	408	4.5	332	5.8
Region				
New England	289	4.6	277	6.7
Central Atlantic	973	5.8	925	9.4
Midwest	1,078	5.9	977	9.3
Southeast	67	6.6	64	5.9
Gulf Southwest	348	4.2	309	6.5
West Midcontinent	121	6.3	100	6.8
Central Northwest	151	3.5	128	7.4
Pacific Northwest	134	4.0	114	4.6
Pacific Southwest	314	5.7	264	5.6
Total	3,475	5.4	3,158	8.1

Bump analysis

Character is part of credit and so perhaps there is a good deal of logic in having an address on "Practical Character Reading" at a credit meeting. That's just what Chicago had 28 years ago this past March when Charles F. Boger, M.D., told the gathering that:

"There is not a bump for thieving, another for murder, but there is a general conformation of the head which characterizes the born criminal.

"The man who keeps his hands closed as a 'fist' while talking is a natural born liar. There is no exception to this rule. Don't give him credit.

"A stingy man in shaking hands will never press his thumb on the exterior part of your palm.

"A person noted for his indecision will offer his hand with a thud. You have got to do the shaking.

"A man who is forceful, energetic and a doer never shakes hands in a listless manner.

"Any person, male or female, who rolls his eyes while talking lies for effect. They are carried away by false pride."

1933 Psalm

The Politician is my shepherd; I am in want.

He maketh me to lie down on park benches; he leadeth me beside the still factories.

He disturbeth my soul; he leadeth me in the paths of destruction for the Party's sake.

Yea, though I walk through the Valley of the Shadow of Depression, I anticipate no recovery, for he is with me; his policies and his diplomacies, they frighten me.

He prepareth a reduction in my salary, in the presence of mine enemies; he anointeth my small income with taxes; my expense runneth over.

Surely unemployment and poverty shall follow me all the days of my life; and I shall dwell in a mortgaged house forever.

Contributed.

Save the Democrats!

From the extensive experiences in National Association of Credit Men history and development, Mr. J. Harry Tregoe, now of Beverley Hills, Cal., has drawn many interesting pieces of information concerning the early days, but one we have missed until recently is associated with Baltimore and the annual dinner of that local Association in the Hotel Belvidere on December 16, 1904. It is recorded that the crowd of more than 250 met at the largest commercial affair ever held in the City of Baltimore. It is further recorded that Mr. J. Harry Tregoe acted as toastmaster and read a number of telegrams, "one coming from William Jennings Bryan and inviting the Baltimore Association to undertake the reorganization of the Democratic party."

On the half-shell

The newly-married couple were having turkey for the first time.

"I don't know how it is," remarked the husband, "but this bird's got bones all over it. Just listen to the knife on them."

"Oh, how silly of you, darling! Those aren't bones—those are shells."

"Shells?"

"Yes. Don't you remember you said you liked turkey with oyster stuffing?"

—Canadian Credit Men's Journal

Notes About Credit Matters

3.3 per cent of purchases returned

One dollar's worth of merchandise out of every thirty purchased by retailers is returned by them to wholesalers or manufacturers who supplied the goods, according to the first national mercantile credit survey conducted by the Bureau of Foreign and Domestic Commerce and published in January.

This is based on average returns and allowances for all lines of trade covered of 3.3 per cent. The range was found to be from 0.2 per cent of purchases for coal and coke establishments to 9.5 per cent for book and stationery establishments. Lines of trade in which returns and allowances were considerably above the average include, in addition to book stationery establishments, establishments selling jewelry (9.2 per cent); women's wear, millinery and gloves (8.5 per cent); electrical and radio supplies (6.1 per cent); heating and plumbing supplies (5.3 per cent); mechanical rubber goods, (5.3 per cent); men's wear (5.8 per cent); automotive supplies, including tires (5.1 per cent); musical merchandise (5.0 per cent); and, footwear (4.8 per cent).

Cash sales gain

Continuance of recent trends in retail credit extensions, with a larger portion of goods being sold for cash, customers taking a little longer to pay their bills, and bad debt losses increasing slightly, are recorded in the Commerce Department's retail credit survey for the latter half of 1932, made public last month.

During the last six months of 1932 the report shows, 47.6 per cent of the sales of reporting stores were made for cash, compared with 45.8 per cent in the corresponding period of 1931. The proportion of goods sold for cash by credit granting retailers has climbed slowly but steadily from 41.3 per cent for the first six months of 1929, when this survey was first conducted by the Department, to the present figure of 47.6 per cent.

Open credit sales were 42.5 per cent of the total business of these stores in the 1932 period and 42.8 per cent in 1931, while installment sales were only 9.9 per cent of the total last year and 11.4 per cent in 1931.

Customers took an average of 86 days to pay their open-account obligations to retail stores in the latter half of 1932, 6 days longer than they did in 1931. Installment accounts were outstanding 7 months and 21 days last year compared with 6 months and 23 days the year before.

Bad-debt losses amounted to approximately 1 per cent of the total sales of the reporting concerns in 1932, compared with a little less than 0.7 per cent in 1931, the survey reveals. Of the sales made on regular monthly charge accounts, however, 1.5 per cent were lost on bad debts in 1932, compared with 0.9 per cent in 1931. The average bad-debt loss on installment accounts of all stores reporting this figure is shown to have been 4.3 per cent last year and 3 per cent the year before.

An encouraging trend revealed by this latest survey is a tendency for consumers to return less of the merchandise which they buy. Returns and allowances (including repossessions on installment sales) were 9.1 per cent of total gross sales in the last six months of 1932, and 9.4 per cent in 1931. The decrease in returns and allowances in department stores was from 9.9 per cent of sales in 1931 to 9.5 per cent in 1932. Decreases were also recorded in furniture, men's clothing, shoes, and women's specialty stores, while increases were reported for jewelry, electrical appliance, and automobile accessory stores.

Fraudulent buying and the passing of fraudulent checks, which are reported as a part of the survey, showed no significant changes, and were relatively very small.

Retail sales of $509,125,548 by the 415 reporting retail establishments represented a decline in dollar volume for July-December, 1932, of 23.9 per cent from those of the same period in 1931. It is estimated that retail prices fell 12 to 14 per cent during 1932, indicating that dollar sales declined more than the general price level.

Credit careers

W. F. Koelsch

W. F. Koelsch or, as he is known to his legion of friends, "Bill" Koelsch, is one of the most colorful personalities in the long history of the Association. No convention is quite complete unless Mr. Koelsch is in attendance. He has been called the Association diplomat. The finesse with which he handles any, and all, Association work has brought about the sincerest commendations of his fellow members and associates.

Mr. Koelsch was the eighteenth president of the National Association of Credit Men and the third banker to preside over the organization. He served as president during the fiscal year 1920-21. Mr. Koelsch was called into this high office after serving for only one year as a member of the National Board of Directors. Previous to this, Mr. Koelsch was twice president of the New York Credit Men's Association and also served on its Board of Directors.

At the time of his election to the presidency of the Association, Mr. Koelsch was president of the New Netherland Bank of New York. His bank was merged several years ago with the Chase National Bank, of which he is now a Vice-President.

Before going into business work, Mr. Koelsch worked as a newspaper reporter. He was also a writer for the New York *Evening Sun*. He says today that these were some of the happiest and most interesting years of his life. It was more or less by accident, without any defi-

nite intention of going into the banking field, that young Koelsch started as a bank messenger, improving his status to that of a bank clerk and thereafter forged ahead rapidly in the banking field. In his banking experience, Mr. Koelsch covered every phase of banking administration. A prominent New York business man has said that he thought Bill Koelsch possessed one of the soundest banking minds in the country today. He is also a director of several other financial and business institutions.

One of the signal achievements in Mr. Koelsch's long service for the Association was his active participation in the Credit Protection and Fraud Prevention drives and activities of the Association. Under Mr. Koelsch's personal supervision and direction, these funds, through a sound investment program, returned a higher average rate of interest than the investments made by business organizations generally bring in. Much of the success attained by this department of the Association is due to the patient consideration and untiring work of Mr. Koelsch. His counsel and advice and a liberal sacrifice of his time throughout his years of participation in Association activities have constituted a major contribution to the progress and stability of the Association.

Pittsburgh dinner: 1905

Pittsburgh's credit men, back in the good old days of 1905 were certainly well thought of. A complimentary dinner by Messrs. McCreery and Company was tendered the Association's members as a means of showing the appreciation of the company for the treatment accorded them by the credit men of Pittsburgh. "So bountiful was the menu that it was almost 10:00 before coffee and cigars were reached." That explains and justifies the oft-heard "those good old days" expression. But we wonder—was there a 10 o'clock curfew in those days?

Divorce

Now that the question of dispensation of beer has been in the public prints, it is interesting to note that the April, 1898, bulletin of the Association contained a short item advocating complete divorce between groceries and saloons. The advocator was Mr. John A. Lee of St. Louis and his opinion on the subject is that "retail merchants need an entire separation of the grocery and the saloon business . . . I believe that the grocer would be happier, healthier and more contented and finally more prosperous, if freed from the saloon. . . . I believe that the saloon attachment surrounds the merchant with constant temptations dangerous to his habits and his business success."

We are, of course, not entering the controversy on the dry-wet question on either side. We reprint this little item as proof that it's a small world after all, that history repeats itself, that there is nothing new under the sun, what have you or what's yours?

Bankruptcy in the Bible

The first Bankruptcy Law was in the Bible in the 15th chapter of Deuteronomy, Bernard A. Grossman, counsel for the Vigilance Committee of the New York Credit Men's Association, said in an address before the Federation for the Support of Jewish Philanthropic Societies.

"The first law in history providing for the release of debtors from their debts," said Mr. Grossman, "was explicitly stated in Deuteronomy in the following language:

"At the end of every seven years thou shalt make a release. And this is the manner of release: every creditor that lendeth aught unto his neighbor shall release it. He shalt not exact it . . . save where there shall be no more poor among you."

"The debtors holiday, it appears, interfered so seriously with business, that merchants secured the entry of a new statute into the Bible, warning the debtor who took improper advantage of the merchants. It read: 'Beware that there be not a thought in thy wicked heart, saying "the seventh year, the year of release is at hand." If thy eye be evil and thou givest naught, it be a sin unto thee. Thou shalt surely give, and thy heart shall not be grieved when thou givest.'

"This was followed by the English statute which called the bankrupt an 'offender' and empowered the administration officers, then called 'Lords' and now dubbed 'Referees': To take by their wisdom and discretions, as well as the bodies of such offenders, as also their lands, or their wives, wheresoever they may be found or known.' "

Under the modern development, Mr. Grossman explained, the offender can no longer lose his life in the bankruptcy courts.

He also presented the history of bankruptcy legislation in the United States starting with the Act passed in 1800, through the Acts of 1803, 1841, 1867, 1898 and the latest legislation on the subject.

Inflation

"Inflation of any degree is a dangerous strain on the integrity of credit. Inflation affects the quality of credit and legal currency and will lower their buying power with a resultant advance in prices. Inflation is an economic "dope," more easy to compound than to control and with an implicit power to destroy. Human genius may be able to govern the dose administered to an ill economic situation, but historically such control has seldom happened and the nostrum, instead of healing, has made addicts of the patients."

With this diagram of real inflation, the Credit Economics Council of the Los Angeles Credit Men's Association urges the most careful discrimination so that promising and deserving remedies may not be tagged as inflationary procedures.

The Council, believing firmly that the integrity of credit and its safe control must be safeguarded against all hazards for the assurance of a permanent recovery, hopes sincerely that the necessary objectives of a reasonable price level, a more rapid circulation of our buying media, a proper movement of commodities and the employment of those who are willing to be employed may be brought about by natural curative methods and not by expedients that may and are apt to be highly dangerous. There are signs at present of a better condition approaching, and that these signs may be realized nothing is more important than a rebirth of the people's faith in our abilities and our institutions.

Literary note

Oscar Newfang, for the past twenty years credit manager of Julius Forstmann & Company, woolen manufacturers, has switched from financial to literary statements. Mr. Newfang intends to devote his time hereafter to literary work, of which he has done considerable in the past, four of his books on economic and international subjects being published by G. P. Putnam's Sons.

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

60 day clause cuts arson

The Eastern Underwriter reports that fire marshals and state police chiefs who have arson fires under their jurisdiction declare that the operation of the sixty days' clause in fire insurance contracts has cut down the number of losses of incendiary nature decidedly. Two states which have few incendiary fires are New Hampshire and Maine, where companies are prohibited by law from paying claims before 45 days after the fire have elapsed. The purpose of such laws is to give the state officials time to investigate suspicious fires; at least, not to provide arsonists with funds in advance with which to finance defense for criminal trials. Quick payments of losses presuppose satisfactory adjustments, including honest explanations of the origin of the fire, and as such render successful criminal prosecution almost, if not quite, impossible.

L. J. Butcher, assistant state fire marshal, Nebraska, is one of the most enthusiastic marshals in reference to the value of the sixty days' clause in the present situation. He said to The Eastern Underwriter:

"I feel that the insurance companies should take their sixty days from proof of loss in settling all claims on fire losses—for having served in the Fire Marshal's office in the State of Nebraska for the last thirteen years as assistant state fire marshal and chief investigator, I have drawn this conclusion, for it seems there was a race between the insurance companies to see who could make the best record settling fire insurance quickest and now during this depression it seems that the public's minds have become warped. I have made the statement that it is my opinion that 50% of the fire loss of the State of Nebraska for 1932 was incendiary.

"I feel certain that if all insurance companies would co-operate and stand by this ruling of sixty days after proof of loss is made, before making payment on losses, and that this knowledge be brought to the attention of every policyholder and applicant of fire insurance, that this crime of arson will be reduced 75%.

"It is quite evident that many of the suspicious fires that occurred in this State were the last resort in the minds of those having these fires to raise money for taxes on heavily mortgaged farms.

"Another version is that this method of quick settlement tends to induce people to carry more insurance and become more careless—from the standpoint that in case a fire occurs they can immediately collect the insurance and rebuild that damaged by fire and have money left.

"Therefore, I trust that the insurance companies continue this sixty day policy in the future, even after the present depression does not make it compulsory, because the preponderance of benefit accruing to the people who pay these fire premiums will be far greater than the inconvenience suffered by the few who have to wait."

The valuation cycle

(*Cont. fr. p.* 12) conversion into surplus without provision for the distribution of that surplus in the form of dividends through cash payments, might conceivably incur a tax liability which it would be difficult to meet and the corporation would be in a harassed position because of the lack of ready cash.

Credit managers will do well to give careful consideration to the risk assumed in investing their capital in accounts receivable from customers who have restated their financial positions upon the arbitrary basis of reappraisal of fixed assets or revision of capital liability.

Up from the debts

(*Continued from page* 19) when the new creditor—the holder of the refinancing loan—is a special agency built solely to efficiently advance consumer credit, rather than one existing primarily to manufacture or sell goods, but, under past credit systems, has always been forced to get into the "free banking business" and extent credit in order to move products.

It is also essential that the refinancing lender be one which can maintain continuous knowledge of the debtor's changing financial status, be prepared to make necessary extensions, and continually and flexibly be able to adjust loan repayments so as to permit the debtor to maintain his purchasing needs, but at the same time also exert necessary pressure to curb the borrower's natural extravagance.

Undoubtedly, one of the principal reasons for "sick credit conditions" today is the fact that the average merchant creditor is not doing a sensible collection job. This is especially true as regards the small retailer. Because there are so many people unemployed,

the creditor often fails to discriminate between those who can and can't pay, nor does he sort out those who have the ability to refinance themselves for the purpose of paying.

Failure to insist to the individual debtor that he utilize all available resources to meet obligations often leads to a sense of irresponsibility on the part of the customer that becomes a community evil. Likewise failure to analyze over-due accounts to determine whether a fair basis of compromise exists nearly as often leads to a multiplication of bad debt losses.

While individual analysis may often disclose that the adjustment necessary is a reduction to bring the amount inside the debtor's ability—the collection of part of the obligation in preference to the loss of it all along with the customer's good will—it will more often be obvious that the terms of repayment possible for the retail creditor to permit are out-of-gear with present conditions of the ower.

The effectiveness of consumer refinancing with industrial and personal finance loans in restoring the purchasing power of borrowers, is shown in a survey just announced by L. C. Harbison, President of the Household Finance Corporation, one of the largest of the personal finance companies.

Mr. Harbison's survey disclosed that 240,000 or 82 per cent of the 300,000 borrowers in 91 cities during 1932, used the money to refinance themselves and restore their buying power and standard of living.

"These 240,000 were mostly wage earners," said Mr. Harbison. "Wage cuts, unemployment, and unexpected emergencies the last few years caused them to suffer an accumulation of retail and professional bills.

"Our investigation shows the average monthly income per borrower was \$158.76 per month. When they obtained their refinancing loans, their obligations were listed at an average of \$189.37 each. Pressure from creditors obviously was crippling their living standards, curtailing their active credit and purchasing power, and with the bills due or overdue in a lump, they were unable to pay enough on them to make much headway in liquidation, or to increase their creditor's working capital to any extent.

"Refinancing by borrowing on the installment small loan plan allowed them to pay all these bills off immediately, and their current or monthly obligation was reduced to an average of \$13.45 per month for repayment of the loan principal with interest.

"Whereas their past due obligations amounted to considerably more than a month's income, their refinancing steps allowed them to restore their purchasing power to 92 per cent of their income. In other words, their income remained at an average of \$158.75; their obligations were cut to \$13.45 per month, and the difference, an average of \$145.31 per borrower, was left to buy goods and services.

"It is certainly as fundamental to our economic structure that income-earning consumers borrow to amortize debts and maintain operations in emergencies as it is for business concerns to do so. Proposals that credit establishments and consumer loan systems with facilities to effect such amortization co-operate to bring this about more generally should be the subject of careful study."

"You can turn on the radio but you can't make the guests listen."

"If some of us got what we deserved we might know what trouble really is."

WILLIAM FEATHER.

Answers to credit questions

Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Sales tax—New York

Q. A concern in New Haven, Connecticut ships to a customer in New York where the shipper has no office or any place of delivery within the State, merely receiving orders taken by salesmen subject to the approval of the New Haven office and shipping from that point. Would this be construed as doing retail business under the tax rulings of the State of New York, and would they be subject to a tax?

A. The New York Sales Tax applies only to sales by retailers in the State of New York. Where, therefore, a manufacturing concern in Connecticut takes orders in New York, and makes shipment from New Haven, it is not liable to the retail sales tax.

Judgments

Q. Where suit is filed against a debtor and judgment is obtained after the debtor filed a petition in bankruptcy, in which petition such claim was listed, is the judgment legal provided the bankrupt does not come into court and plead bankruptcy?

A. Where a debtor has filed a voluntary petition in bankruptcy, and has been adjudicated bankrupt, and thereafter a creditor brings suit against the debtor, and obtains a judgment, execution on the judgment may not be issued against any property owned by the debtor on the date of the filing of the petition in bankruptcy. If the bankrupt obtains a discharge from scheduled debts, the discharge may be pleaded as a defense to any action thereafter brought by any creditor. If judgment is entered by a creditor against a bankrupt, before the bankrupt has obtained a discharge, and he is subsequently discharged, the discharge operates as a bar to the judgment and the judgment may not be collected. Under the laws of most of the States, however, the bankrupt must file a certified copy of the decree of discharge in the State Court in order to make the same effective as against a judgment.

"An experienced wife will tell what her husband is up to just by looking at him."

"The prices in a fancy restaurant seem to stimulate a woman's appetite."

WILLIAM FEATHER

Circulating credit

(*Continued from page* 10) systems of the nation to work as they were normally intended to operate, mounting burdens of taxation, banking troubles, farmers' strikes, business and Government repudiations, and finally the battle of the thriftless against the saving classes,—with all these was put in motion a series of events which step by step most effectively destroyed credit until we have floated aimlessly into the dangerous eddies of inflation, with their sand-bars of printing press and fiat money. And the inflationary tide sweeps omniously before us. It can easily lead to confiscation and to utter chaos unless the rudder be vigilantly controlled. In desperation we turn to panaceas again. We attempt to legislate a thirty-hour week instead of allowing it to evolve so as to be a reality when we are prepared to accept it. Hours of labor are continuously being shortened, and the thirty-hour week is near at hand unless our impatience retards it. But we must not apply a poultice to the ailing back of business, and then irritate it anew with a lotion of poisonous taxes. Unbridled competition, we confess, is more dangerous than monopolies. We applaud a reasonable regulatory program to eliminate this immoral practice. Indeed, the courage displayed by our President is the brightest spot in the panorama of depression. However, is it fair for business to expect that in one full stroke, without adequate preparation, we shall discover an Utopian regulation that will effectively remove competition. The echo of our protests against Government in business still reverberates while we launch complete Government control of all business. We plead for profits in abundance, little realizing that easy profits doom capital values and that abnormally large profits herald depressions. The moral fibre of business rots in the sweatshop. Tiny feet stand at the loom instead of the threshold. Such forces properly compel us to demand a cessation of unreasonable competition, the seed that breeds such human misery. But the hope and expectancy of an insurance of profits irrespective of competency of management is as much a dream as were the Federal Farm Board activities a measure of insurance of profits to farmers

And in our intoxication we utterly forget that it is circulating credit, not money, nor panaceas, nor programs, that creates commerce and means prosperity. It is through confidence that credit is conceived and through character that it is commanded. In the swift rush of events, and by our selfish nationalistic policies, we have brought about a competition in credit appraisals that has caused us to forget all about fundamentals and taken us to the brink of commercial catastrophe. It is time for plain speaking, for facts, not fancies; for realities, not dreams; and in this spirit I say to you that the crying need of the hour is not moratoria, but morality; less faith in hypodermics, more faith in humanity; fewer trade restrictions, better trade relations; less selfishness, more service; less distrust, more respect; more responsibility, less repudiations; less hate and more love of fellow-man—internally and internationally.

But the murky skies in the past have now and then revealed a ray of hope and sunshine. It is wholesome to reflect that through all this period of time, similarly through the pages of civilization, written in days of the Dark Ages, there has been a small clear stream of credit that has flowed on in defiance of all of these trade restrictions and barriers, in defiance of all obstacles that human ingenuity has invented to impede its flow. Sometimes it has had to fight its way figuratively through the obstructions that have been placed in its path. And it is that small stream of credit, still alive, still battling heroically, which will form the body of a new river of credit. Through all this period there have (*Continued on page* 37)

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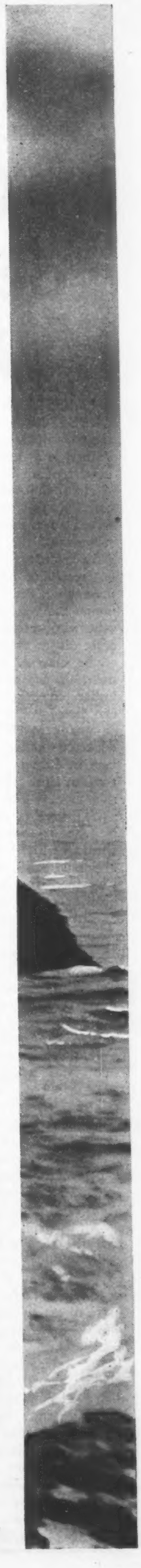

Court decisions

PREFERENTIAL PAYMENT. GENERAL CREDITOR. EVIDENCE. (N. Y.) Plaintiff trust company is the trustee in bankruptcy of Posner and Eisen, individually and as copartners, trading as Bond Dress Company.

Held that there are three questions in this case. (1) Was the Bond Dress Company, referred to throughout the trial as the firm, insolvent at the time the payments respectively were made? (2) Did the defendant, at the time of receiving the payments respectively, have reasonable cause to believe that by the payments she was getting a preferential position, or, otherwise stated, that the payments would operate as a preference? (3) Is the defendant to be classed, for the purpose of the enforcement of the provisions of the Bankruptcy Act under consideration, as a general creditor of the firm? There are certain facts undisputed or uncontrovertibly established. First, $46,000 which defendant claims she gave Posner to invest in Liberty bonds for her, passed from defendant into the treasury or bank account of the firm. The means by which the money passed were, as alleged in the bill of complaint, by the defendant turning over to Posner her checks, which were then deposited in the individual bank account of his partner Eisen, who thereafter by his own checks paid over the identical items to the firm. Secondly, $50,000 of the assets of the firm were transferred to defendant within four months prior to the filing of the bankruptcy petition. Third, the receipt by defendant of that sum,—even the receipt by her of the lesser sum of $40,000,—operated as a preference, and if she be in the class with those who have been disclosed by the proof to be general creditors, then she received a preferential position over all of them. There are two dates relevant for consideration. One is June 25, 1930, when $10,000 of the assets of the firm were transferred to defendant. The other is August 4, 1930, when $40,000 of the assets of the firm were transferred to defendant. As to the transfer on August 4, 1930, of the $40,000, the conclusion is that at that time the firm was insolvent. The firm had in bank less than $7,000 to its credit. On the 1st of August the firm made a sacrifice sale of its merchandise to Klein for $33,500. That is where the $40,000 came from that was available to pay defendant that sum on August 4 and out of which transfer that day of assets of the firm to that extent was made to her. The conclusion seems inescapable that the first Detroit meeting between Posner and defendant in July, 1930 resulted in a revelation to her of the pressure on the firm for the bank payments, of the distressed condition of the firm and of the consequences that would occur to firm, and hence to him, in a financial way unless he could get from her the large loan, as he says he tried to do. If so, then there was reasonable cause on her part to believe that the acceptance of the transfer of the $40,000 would put her in a preferential position. As to the $10,000 of the assets of the firm transferred to defendant on June 25, 1930, the court is persuaded by the evidence that at that date, the firm was insolvent. But at the time there had not been a sufficient revelation to defendant either of the distress of the firm or of the financial condition of the firm to warrant saying that a reasonably prudent person should, as early as June 25, have been put on inquiry, that the passing of so comparatively small a sum as $10,000 at that time would operate to put defendant in a position of being preferred over other creditors of the firm. It follows that plaintiff is not entitled to have the June 25 transfers set aside. It may be said that Posner swindled the defendant. But that does not affect any issue in this case. It was firm money which was taken by her; and, despite the fact that by swindling Posner had gotten her money and put it in the firm, she is not to be treated, by reason of having been swindled, as having rights superior to those of other firm creditors. Now, as to the third question: In Section 60 of the Bankruptcy Act, only two classes of creditors are dealt with. One is a creditor with priority and the other is a creditor without priority. When the liability of the firm to the defendant was created, she had no priority. She stood, therefore, in precisely the same relation as an ordinary merchandise creditor. They were both of the same class. Decree for plaintiff for $40,000, with interest from August 4, 1930. Injunction continued. *Irving Trust Co., as Trustee v. Kane.* U. S. Dist. Ct., So. Dist. of N. Y. Decided April 12, 1933.

PARTNERSHIP. ACCOUNTS RECEIVABLE. WHETHER ASSIGNMENTS VALID. EVIDENCE. (N. Y.) Petition to review two orders of the referee concerning the validity of certain assignments of accounts receivable made by the bankrupts to the Finance Company of America in the amount of $4,784.18. By the first order the referee denied the trustee's motion to compel the Finance Company of America to turn back the accounts and the monies collected on them prior to the bankruptcy; and by the second order the referee granted the motion to the Finance Company of America to compel the trustee to turn over to it the monies collected by the receiver and trustee on the same accounts.

Held that the sole question is whether the assignments of accounts by the bankrupts to the Finance Company of America created a voidable preference and this depends upon whether the bankrupts were insolvent at the time and whether the assignee had reasonable ground for believing that a preference would be created. The bankrupts were manufacturers of ladies garments and for six years had been doing business with the Finance Company of America under a contract providing that the Finance Company would purchase the accounts receivable for 100 per cent of their face amount less interest and other charges, of which 60 per cent was to be paid upon the assignments and 40 per cent upon the payment of the accounts by the bankrupts' customer. The customers were not to be notified and the collections were to be made by the bankrupts but the Finance Company was given the right to audit the bankrupts books as often as desired. The bankrupts warranted that the accounts would be collected in full and it had been the practice when accounts became overdue for the bankrupts to substitute others for them or to make some other adjustment with the Finance Company to reimburse it for the customers' default. On February 15, 1932, a representative of the Finance Company called on the bankrupts and told them that because of the amount of the overdue accounts the Company would refuse further advances until the bankrupts had made good on all those accounts which were overdue. The bankrupts thereafter assigned to the Finance Company new accounts in partial payment of the bankrupts' antecedent indebtedness on their warranty of the accounts previously assigned. It is these later assignments which are in dispute. Upon the question of the solvency of the bankrupts at the time of assignments the record is far from satisfactory. The Finance Company certainly had the gravest doubts of the solvency of the bankrupts or it would not have insisted on the drastic measure adopted. It left the business with practically no income for its operation and it exacted an assignment of accounts covering all future sales. Orders reversed. *Matter of John Nassan & Bro.* U. S. Dist. Ct., So. Dist. of N. Y. Decided April 10, 1933.

SALES AGENCY AGREEMENT. UNCERTAINTY OF CONTINUED PERFORMANCE AND CONSIDERATION. CANCELLATION. DAMAGES. (IOWA). The Reno Company had been, from October 23rd, 1924, until December 1st, 1930, the sole distributor in the State of Iowa of certain products manufactured only by the Du Pont Company and intended mainly for the finishing, refinishing and polishing of automobiles. These products were referred to as Duco. One of the conditions of the contract read: "It is our intention and desire to continue under this agreement so long as your services, in our judgment, prove satisfactory." On October 27, 1930, the Du Pont Company gave notice to the Reno Company of the termination of the contract effective the December 1st following, and it was this termination by the Du Pont Company which the Reno Company asserts constituted a breach of the contract. It is contended that the termination of the contract was at a time when, in the judgment of the Du Pont Company, the services of the Reno Company were not unsatisfactory.

Held that language such as that used in this contract would ordinarily be understood to mean a promise to continue until dissatisfied. If there is uncertainty, lack of mutuality, or lack of consideration in the contract, it arises out of the fact that the Reno Company was in a position at any time to terminate the contract without incurring any liability therefor. It is placing an unnatural construction upon this contract to hold that the promises made by the Reno Company and their performance constituted the consideration for the Du Pont Company remaining bound so long as it was satisfied, and that its promise in that regard was bought and paid for. The contract itself provides that the consideration for the services of the Reno Company is the discount of 25 per cent upon all materials ordered from the Du Pont Company. The agreement was nothing more than a sales agency agreement, terminable at will by the Reno Company, but containing a promise of the Du Pont Company to continue so long as satisfied with the services of its distributor. Where a contract is so lacking in mutuality of obligation or certainty of consideration that it may be cancelled, or that specific performance will be denied on that sole ground, its termination by either party creates no liability for damages resulting from a refusal to carry on. The contract here is such that, because of the uncertainty of continued performance by the Reno Company, a court of equity would, upon that ground alone, refuse specific performance. Had the Du Pont Company brought a suit in equity to cancel the contract, it would have been cancelled for uncertainty of consideration. Whether the termination by the Du Pont Company was in good faith or bad faith, no action for damages could be based upon it. Judgment for defendant Reno Company on its counterclaim, reversed and case remanded for further proceedings. *E. I. Du Pont De Nemours & Company v. Claiborne-Reno Company.* U. S. C. C. A., 8th Cir. (Iowa). Decided March 20, 1933.

UNFAIR COMPETITION. TRADE TERM. "WHITE PINE." The petition presents for consideration a review of orders made by the Federal Trade Commission in the so-called "White Pine Cases" requiring the petitioning

lumber manufacturers to cease and desist from using the word "White" in conjunction with the word "pine" in connection with the sale in interstate commerce of lumber manufactured from the species of pine tree botanically known as pinus ponderosa. Pinus ponderosa belongs botanically with the so-called "yellow pine" group. The only species of true botanical "white pines" of commercial importance are Northern White Pine, and two Pacific Coast varieties—Idaho White Pine and Sugar Pine. Prior to 1924 the majority of Washington, Idaho, western Montana and northern and central Oregon producers of Ponderosa were designating their lumber "Western White Pine." As a result of an agreement entered into by most of such producers in that year the name "Pondosa Pine" was adopted as a substitute. Following the orders of the Commission, the name was again changed to "Ponderosa Pine." The finding of the Commission to which objection is principally directed as not being supported by the evidence is that true white pine lumber is far more durable and has a far less percentage of sapwood than ponderosa lumber, and that the close resemblance between the heartwood of true white pines and the sapwood of ponderosa is one of the greatest causes of confusion and deception in the marketing of the two species.

Held that it may be conceded that the evidence establishes that Northern White Pine lumber from the forests of Minnesota and Idaho White Pine lumber possess certain qualities which make those lumbers a superior grade to lumber produced and sold as California White Pine. In considering the fact that certain of the so-called true white pines produce lumber superior in certain respects to that produced from Ponderosa, there is also to be considered the fact that these species of true white pines differ also from each other as the so-called yellow pines differ from each other. Whatever these differences are, in commerce and industry pine lumber is classified into two groups, white pine and yellow pine, and any lumber falls within one or the other of these two main groupings, largely if not entirely because of its peculiar industrial utility. In considering the weight to be given to the fact that Ponderosa is not only not a botanical true white pine, but in certain respects is also inferior in a more or less uncertain degree to certain of the true white pines of commerce, the past history, as well as the future of the industry is deserving of consideration. The supply of the botanical true white pine is far more limited than that of Ponderosa. The public is not only interested in not being deceived in the material it purchases under a certain nomenclature, but possibly in an even larger sense in the conservation of the forests. It is manifest that notwithstanding the fact that Ponderosa has been sold in markets throughout the country under the commercial name California White Pine, and under other names using the word "white," for more than fifteen years prior to the institution of this proceeding, the so-called true white pines were able to command a higher price. Viewing the testimony in the light of all the facts of the case, it is insufficient to support findings that petitioners' use of the commercial name California White Pine is an unfair method of competition or that its prevention would be in the interest of the public. Orders set aside. *Algoma Lumber Company et al. v. Federal Trade Commission.* U. S. C. C. A., 9th Cir. Decided April 4, 1933.

"Form good habits—they're as hard to break as bad ones."

"Be patient with the shortcomings of others but impatient with your own."
WILLIAM FEATHER

Circulating credit

(*Cont. from page* 34) been concerns who still exercised faith in their customers, whose customers still respected the fairness of the appraisal of credit by their sources of supply. And during these trying years our organization has done everything within its power to keep undiminished that stream of credit. The challenge that comes down to us today is to build it into a river of such volume that once again it will reach out and fertilize the fields of commerce.

We will begin rebuilding by removing from the tributaries the obstructions that have prevented their normal flow. It is our task to pledge ourselves to a careful sifting of each and every credit appraisal, to reveal in clear, bold outlines the character of a man or institution as reflected in his paying habits. And the objective of our organization, during the course of the coming year, should be never to rest from our labors until each and every member institution has at its command a dredge to remove completely the debris, so that each and every one of our members may do his full share toward rebuilding the stream of credit. Our ideals must go beyond this. It will be our solemn purpose to enlist every manufacturer, banker and wholesaler of character in this army of ours, mobilized for the purpose of keeping the streams of credit pure and circulating freely. A national network of fact-gathering bureaus reaches into the hitherto unexplored credit tributaries and it is our unselfish duty to see that this Interchange channel is kept open to every manufacturer, wholesaler and banker who is worthy of tilling the fields of trade. It is our duty to repair the levees of credit fundamentals, to rebuild the dykes of confidence, to remove the snags of credit ignorance.

Credit that has been frozen, held in the shape of congealed assets, should be cleared by us through the medium of our Adjustment Bureaus, the greatest commercial ice-breakers industry and commerce ever established. Here we have provided a laboratory in which we will carefully sift the obstructions, dredge the channels, and once again start a steady flow of credit streams to join the main artery. And for the stagnant pools whose outlets have been dammed from the main artery by reason of immovable barriers, we commend the use of our Collection Divisions, where through scientific agitation we will sort out the good from the bad, and see that the gates are once again opened and a drainage effected so that this stream of credit may not be impoverished again.

If, perchance, in our diagnosis and conservation operations, criminality is discovered, then relentlessly and with bared fists we will bring the guilty to the bar of justice through our Fraud Prevention activities.

But even these accomplishments will fall short of our ideals. We of this generation do not wish to witness again the conditions through which we have just emerged, conditions ascribable almost entirely to credit ignorance. Credit is a sacred thing, as powerful as lightning from the heavens, a potent force for good or an ominous power of evil, depending on its use. Credit is the energy of commerce and industry, the dynamo of international trade, the fuel that provides the power to make progress in the world's civilization. We dare not place it in wrong hands. We dare not see it prostituted and destroyed. The task is ours to educate American industry and commerce as to the true function of credit and, particularly, to point out the destructive effect of destroying confidence in credit through the interposition of obstacles and impediments that will prevent its normal flow. Every man in industry in the United States should educate himself on credits, and avail himself of our Credit Institute as a medium for that training.

And finally, let us once again renew our pledge and express our faith in ideals; let us reaffirm our conviction in the Golden Rule, and not see it turn to brass before our very eyes; let us recognize that in the last analysis, greed, selfishness and a departure from those ethical virtues so worth-while in life has brought to us all of our difficulties. Oh, it may seem a far cry from the business to the spiritual world, but business in the last analysis is not a keen and sharp game, in which the trickster has all the advantage. Business is an honest and noble undertaking in which the rewards will go to those who exercise virtue in their dealings. Let us, in short, determine that credit, the very warp and woof of the fiber of business, be strengthened by ethics of the very highest order. Let us begin building an industrial credit that will be the hope and admiration of the world, sound in appraisal, ideal in ethics, with the broad fundamentals of character and humaneness.

Approved Adjustment Bureaus

As of June 1, 1933

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows: A—Assignments B—Bankruptcy Claims Representation C—Collections P—Personal Contact Service R—Receiverships T—Trusteeships

ARIZONA—PHOENIX—Adjustment Bureau of the Arizona Ass'n of Credit Men, 314 Title & Trust Bldg., Lyle N. Owens, Mgr.; J. L. Vance, Asst. Mgr. (ABCPRT)

CALIFORNIA—LOS ANGELES—Collections and Traveling Adjuster Service. Collection Division of the Los Angeles C.M.A. 804-5 Board of Trade Bldg. Reid Fulkman, Mgr. (BCP)

OAKLAND—Adjustment Bureau of the Oakland Ass'n of Credit Men, 414 Central Bank Bldg., K. S. Thomson, Mr. (ABCPRT)

SAN FRANCISCO—Adjustment Bureau of the Credit Managers' Ass'n of Northern and Central Calif., 333 Montgomery St., O. H. Walker, Mgr. (ABCPRT)

COLORADO—DENVER—Adjustment Bureau of the Rocky Mountain A.C.M. 810 Fourteen St., James B. McKelvy, Mgr. (ABCPRT)

CONNECTICUT—NEW HAVEN—Adjustment Bureau of the Connecticut A.C.M. 23 Temple St., Eugene N. Dietler, Mgr. (ABCPRT)

DISTRICT OF COLUMBIA—WASHINGTON—Adjustment Bureau of the Washington C.M.A., 755 Munsey Bldg., A. L. Birch, Mgr. (ABCPRT)

FLORIDA—TAMPA—Adjustment Bureau of the Tampa A.C.M., P. O. Box 2128, S. B. Owen, Mgr. (ABCPRT)

GEORGIA—ATLANTA—Adjustment Bureau of the Atlanta A.C.M., 305 Chamber of Commerce Bldg. F. H. Sned, Mgr. (ABPRT)

IDAHO—BOISE—Adjustment Bureau of the Boise A.C.M. 208-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPRT)

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KANSAS—WICHITA—Adjustment Bureau of the Wichita Association of Credit Men, 4th Floor, First National Bank Bldg., M. E. Garrison, Mgr. (ABCPRT)

KENTUCKY—LEXINGTON—Adjustment Bureau of the Lexington Association of Credit Men, 505-6 Security Trust Bldg., E. M. McGarry, Mgr. (ABCPRT)

LOUISVILLE—Louisville Credit Men's Adjustment Bureau, 3rd Floor, Speed Bldg., S. J. Schneider, Mgr. (ABCPRT)

LOUISIANA—NEW ORLEANS—Adjustment Bureau of the New Orleans Credit Men's Ass'n, 1007 Queen and Crescent Bldg., Chas. G. Cobb, Mgr. (ABCPRT)

MARYLAND—BALTIMORE—Adjustment Bureau of the Baltimore Ass'n of Credit Men, 301 West Redwood St., George J. Lochner, Mgr. (ABCPRT)

MASSACHUSETTS—SPRINGFIELD—Adjustment Bureau of the Western Mass. Ass'n of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPRT)

MICHIGAN—DETROIT—Adjustment Bureau of the Detroit Association of Credit Men, 1282 First National Bank Bldg., L. E. Deeley, Mgr. (ABCPRT)

GRAND RAPIDS—Adjustment Bureau of the Grand Rapids Credit Men's Ass'n, 602-8 Association of Commerce Bldg., Edward DeGroot, Mgr. (ABCPRT)

MINNESOTA—DULUTH—Duluth Jobbers Credit Bureau, Inc., 501 Christie Bldg., E. G. Robie, Mgr. (ABCPRT)

MINNEAPOLIS—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 420 Rand Tower, H. S. Holbrook, Sec'y-Treas. For Rehabilitations and Liquidations see St. Paul (CP)

ST. PAUL—Rehabilitations and Liquidations, The Northwestern Jobbers Credit Bureau, 2233 University Ave., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis (ABRT)

MISSOURI—KANSAS CITY—Adjustment Bureau of the Kansas City Association of Credit Men, 5th Floor, Carbide and Carbon Bldg., 912 Baltimore Ave., C. L. Davies, Mgr. (ABCPRT)

ST. LOUIS—Adjustment Bureau of the St. Louis Association of Credit Men, 214 N. Sixth St., Orville Livingston, Mgr. (ABCPRT)

MONTANA—BILLINGS—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr. (ABCPRT)

GREAT FALLS—Adjustment Bureau of the Northern Montana Association of Credit Men, Box 1784, F. E. McDonnell, Mgr. (ABCPT)

NEBRASKA—LINCOLN—See Omaha.
OMAHA—Adjustment Bureau of the Omaha Association of Credit Men, 2nd Floor, Sunderland Bldg., 15th and Harney Sts., G. P. Horn, Mgr. (ABCPRT)

NEW JERSEY—NEWARK—Credit Men's Adjustment Bureau, Inc., 17 William St., Ernest H. Stauber, Mgr., Estates Dept.; David T. Young, Mgr., Collection Dept. (ABCPRT)

NEW YORK—BUFFALO—Western New York Adjustment Corp., 544-552 Gerrans Bldg., James D. Huestis, Mgr. (ABCPRT)

NEW YORK—Adjustment Bureau of the New York Credit Men's Ass'n, 470 Fourth Ave., Raymond Hough, Mgr. (ABRT) (Collections handled by New York Credit Men's Collection Division Inc., 470 Fourth Ave., C. E. Liddon, Mgr.)

ROCHESTER—Collection Bureau of the Rochester Credit Men's Service Corporation, Suite 408, 34 State St., T. E. McCallion, Mgr. (BCP)

NORTH CAROLINA—CHARLOTTE—Adjustment Bureau of the Carolina Association of Credit Men Inc., 306 Commercial Bank Bldg., E. C. Fearrington, Mgr. (ABCPRT)

OHIO—CLEVELAND—Adjustment Bureau of the Cleveland Association of Credit Men, 410 Leader Bldg., Hugh Wells, Mgr. (ABCPRT)

COLUMBUS—Credit Association of Central Ohio, Chamber of Commerce Bldg., William G. Hills, Mgr. (ABCPRT)

DAYTON—Collection Dept. of the Dayton A.C.M., 40 Hamiel Bldg., Fifth and Ludlow Sts., Leo J. Bouchard, Mgr. (BCP)

TOLEDO—Adjustment Bureau of the Toledo Association of Credit Men, 622 Madison Ave., H. W. Voss, Mgr. (ABCPRT)

YOUNGSTOWN—Adjustment Bureau of the Youngstown Association of Credit Men, 1105 Mahoning Bank Bldg., O. E. Johnson, Mgr. (ABRT)

OKLAHOMA—OKLAHOMA CITY—Adjustment Bureau of the Oklahoma Wholesale Credit Men's Association, 907 Cotton-Grain Exchange Bldg., E. E. Barbee, Mgr. (ABPRT)

TULSA—Adjustment Bureau of the Tulsa Credit Men's Ass'n, P. O. Box 466, C. L. Teale, Mgr. (ABCPRT)

OREGON—PORTLAND—Adjustment Bureau of the Portland Association of Credit Men, 471 Pittock Block, E. W. Johnson, Mgr. (ABCPRT)

PENNSYLVANIA—ALLENTOWN—Lehigh Valley — Berks Adjustment Bureau, 503 Hunsicker Bldg., J. H. J. Reinhard, Mgr. (ABCPRT)

PHILADELPHIA—Adjustment Bureau of the Philadelphia Association of Credit Men, 220 So. 16th St., 10th Floor, Cunard Bldg., Clarence H. Osborn, Mgr. (ABCPRT)

PITTSBURGH—Adjustment and Service Bureau of the Credit Association of Western Pa., 6th fl., Westinghouse Bldg., R. H. Coleman, Mgr. (ABCPRT)

ALTOONA—Adjustment Bureau of the Credit Association of Western Pa., 1413 Eleventh Ave., Paul A. Kerin, Dist. Mgr. (ABCPRT)

JOHNSTOWN—(Eastern Dist. Office) Adjustment Bureau of the Credit Ass'n of Western Pa., 632 Swank Bldg., S. I. Lasner, Dist. Mgr. (ABCPRT)

UNIONTOWN—Adjustment Bureau of the Credit Association of Western Pa., 704-5 Second Natl. Bank Bldg., F. W. Mosier, Dist. Mgr. (ABCPRT)

RHODE ISLAND—PROVIDENCE—Adjustment Bureau of the Rhode Island Association of Credit Men, 87 Weybosset St., C. E. Austin, Jr., Mgr. (ABCPRT)

SOUTH DAKOTA—SIOUX FALLS—See Sioux City, Iowa.
TENNESSEE—CHATTANOOGA—Adjustment Bureau of the Chattanooga Association of Credit Men, 1115 Hamilton National Bank Bldg., C. H. McCollum, Mgr. (ABCPRT)

KNOXVILLE—Adjustment Bureau of the Knoxville Association of Credit Men, 504 New Sprankle Bldg., W. A. DeGroat, Mgr. (ABCPRT)

MEMPHIS—Adjustment Bureau of the Memphis Association of Credit Men, 206 Randolph Bldg., E. C. Correll, Mgr. (ABCPRT)

TEXAS—DALLAS—North Texas Adjustment & Credit Interchange Bureau, Suite 322, Santa Fe Bldg., M. L. Barnett, Mgr. (ABCPRT)

HOUSTON—Adjustment Bureau of the Houston Association of Credit Men, 433 First National Bank Bldg., Morris D. Meyer, Mgr. (ABCPRT)

SAN ANTONIO—San Antonio Wholesale Credit Men's Adjustment Bureau, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr. (ABPRT)

UTAH—SALT LAKE CITY—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., Robert Peel, Mgr. (ABCPRT)

VIRGINIA—LYNCHBURG—Credit Interchange and Adjustment Bureau of the Lynchberg Association of Credit Men, 405 Lynch Bldg., S. H. Wood, Mgr. (ABCPRT)

RICHMOND—Adjustment Bureau of the Richmond Association of Credit Men, 305 Travelers Bldg., J. P. Abernethy, Mgr. (ABCPRT)

WASHINGTON—SEATTLE—Adjustment Bureau of the Seattle Ass'n of Credit Men, 7th Floor, Alaska Bldg., C. P. King, Mgr. (ABCPRT)

SPOKANE—Spokane Merchants' Association, 718 Realty Bldg., J. D. Meikle, Mgr. (ABCRT)

TACOMA—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Mgr. (ABCPRT)

WEST VIRGINIA—CLARKSBURG—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., C. R. Hoffman, Mgr. (ABCPRT)

HUNTINGTON—Tri-State Credit & Adjustment Bureau, 228 First Huntington National Bank Bldg., C. C. Harrold, Mgr. (ABCPRT)

CHARLESTON—(Branch Office) Tri-State Credit & Adjustment Bureau, Room 402, 804 Quarrier St., Ira W. Belcher, Mgr. (ABCPRT)

WHEELING—Adjustment Bureau of the Wheeling Association of Credit Men, 913 Hawley Bldg., E. K. Pfeil, Mgr. (ABCPRT)

WISCONSIN—GREEN BAY—Adjustment Bureau of the Northern Wisconsin-Michigan Association of Credit Men, 200 Northern Bldg., R. C. Creviston, Mgr. (ABCPRT)

MILWAUKEE—Adjustment Bureau of the Milwaukee Association of Credit Men, 632-46 The Milwaukee Gas Light Co., Bldg., Jas. G. Romer, Executive Mgr. (ABCPRT)

Wisdom

"Wherever there is work for the hands of men, there is work for their teeth. Where there is employment there will be bread. It is a great blessing for the poor to have cheap food, but, greater than that, prior to that, and of still higher value, is the blessing of being able to buy food by honest and respectable employment. Employment feeds and clothes and instructs. Employment gives health, sobriety and morals. Constant employment and well-paid labor produces, in a country like ours, general prosperity, content and cheerfulness."—*Daniel Webster.*

First things first

(*Cont. from page* 17) liquidation, to which was coupled a certainty of a severe scaling down of the asset values.

And then, to use his own remarks on the matter of liabilities: "I have a customer whose place of business is in a state where the total amount due under his three year lease becomes a claim against his estate if he fails. He has a sign on the front of his store on which there is a four year contract for maintenance and purchase. If he fails, the total amount of that contract becomes a claim against the estate. Neither of these items is shown as a liability in his statement. As a matter of fact, what are they but operating expenses to a going business? But if that business fails, those two claims will appear right enough. Each of them will be larger than mine, and my merchandise will be sold and the proceeds divided proportionately.

"What is the measure of my safety under such conditions? The same as in the matter of assets? Will that customer continue in business? And the answer to that question is, again—is he paying his bills."

And then, after mentioning other liabilities of similar nature, such as taxes, contingent liabilities, etc., which rarely appear in statements, but the existence of which could be discounted or anticipated according to the customer's paying record—he concluded with this statement: "I question whether anyone can properly appraise any financial statement without first having the facts about buying and paying habits. In my business where accounts are not always large, where the amount I can afford for credit information is limited, and I must choose between a financial statement and a Credit Interchange report, I will take my chance on the latter. I find it is the best security. And when I have a problem involving a larger amount, I'll still get the Credit Interchange report first, for without it I cannot make what I consider an accurate analysis of a financial statement."

And that is one man's analysis of the comparative merits of financial statements, and Credit Interchange Service which is merely ledger experience information tabulated in reports in a manner which makes it convenient for ready analysis. He is using Credit Interchange in preference to any other method of securing that information because he says it is economical and dependable and, most important of all, gives him facts from all lines and all markets. He says that is of the utmost importance to him because, as is true in most industries, he frequently finds that no one else in his industry is selling his customers in as large amounts as himself. And even when he, or those in his industry or his market, are the largest creditors, the first signs of trouble very often appear in other lines or other markets.

No better way to conclude this article suggests itself than to use this man's closing comment: "We credit men have but a small appreciation of the value of Credit Interchange Service. To many of us today it is just another method of getting a few comments on our customers' buying and paying records. It is and should be much more than that. Even now it affords us our only opportunity of getting real, up-to-date facts on a broad inter-market, inter-line scale. I hope the time is not far distant when the Credit Interchange reports coming to me will be an almost complete picture of the ledgers of all creditors.

"All of us have seen the value of our cooperative efforts as we have developed them to date; but the greatest benefit to all will accrue to us when we really get together in an exchange of information on a basis whereby each of us will be able to act with full knowledge of what all the others are doing. That will help the other fellow avoid making trouble for me. And, more important so far as he is concerned, it will help me avoid creating trouble and loss for him. As the membership of our Credit Interchange Bureau grows, we will inevitably have less trouble, less loss, and far more profitable business."